Daily Report

Latin America

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Latin America

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Officials Address Inter-American Labor Ministers Conference

Argentine Vice President Speaks

PY0310003295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1604 GMT 2 Oct 95

[FBIS Translated Excerpt] Buenos Aires, 2 Oct (NA) — Vice President Carlos Ruckauf stated today that "there are shifts taking place in labor and production structures, which governments and international organizations have not yet been able to fathom and fully grasp."

Ruckauf pointed out that "our region is going through this historic moment in vague bewilderment, as it seems unable to clearly differentiate the old order from the new at this difficult juncture in history." This is why "it is necessary to define the novel ideas in the international world of labor. [no closing quotation marks as received]

The vice president argued that the economic and technological changes effected over the last decade have "been positive." He nonetheless pointed out that "they have claimed their own victims, appearing in the merciless guise of unemployment and social marginalization."

"Apart from the economic, social, and political consequences unemployment may have, it is a moral problem bedeviling modern societies," he added.

The vice president made these remarks this morning during an address at the opening ceremony of the 10th Inter-American Labor Ministers Conference, which is currently being held in Buenos Aires to discuss the subject of "Employment and Economic Integration in the Hemisphere."

Ruckauf argued that labor ministers must play a new role in this context, since "they cannot just limit themselves to being legal representatives in conciliation and mediation endeavors; they should be leading protagonists in building a better future."

The vice president went on to say that to achieve that goal, labor ministries and departments "must become the central instruments of employment and professional training policies, assuming responsibility — a responsibility that cannot be delegated — for the training, adaptation, and retraining of the necessary human resources to keep pace with this modernization and transformation process the modern world is undergoing."

Labor ministers of the Americas and representatives from business and trade union sectors are participating in this meeting, which is being held at the Labor Ministry.

Gerardo Martinez, CGT [General Confederation of Labor] secretary general; former Argentine Labor Ministers Jorge Triaca and Enrique Rodriguez; and James Cheek, the U.S. ambassador to Argentina, among other dignitaries, attended the opening ceremony of the 10th Inter-American Labor Ministers Conference.

Argentine Labor Minister Armando Caro Figueroa was elected chairman of the conference. Argentine Economy Minister Domingo Cavallo is scheduled to give the closing speech tomorrow at 1800 (2100 GMT).

The other keynote speakers were OAS Secretary General Oscar Gaviria and Inter-American Development Bank President Enrique Iglesias, who did so via the teleconference system from Washington, D.C. [passage omitted]

OAS Secretary General Speaks

PY0210235895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2004 GMT 2 Oct 95

[FBIS Translated Text] Buenos Aires, 2 Oct (NA) — OAS Secretary General Cesar Gaviria stressed today that "the countries of the Americas have taken up the commitment of building a free trade area by the year 2005 and this cannot be done without the active participation and political support of the workers."

Upon addressing, via the teleconference system, the opening of the 10th Inter-American Conference of Labor Ministers, Gaviria said that "the union organizations and free associations of workers throughout the world, and particularly in Latin America, have suffered a sluggish listlessness during the last decade."

The OAS secretary general expressed the belief that "much of this is due to the structural changes in the economy with the emergence of new techniques in labor relations, the creation of new types of employment, and the radical transformations in workplaces."

"But it also has to do with the persistence of a traditional type union sector, which views relations with capital from the perspective of confrontation rather than cooperation, and places preservation of privileges before the creation of jobs in which salaries and productivity are linked," he said.

Gaviria maintained that "in order to salvage unionism, it is necessary to modernize it so that it can better interpret the aspirations of today's and tomorrow's worker."

He said that "to speak today about the opening of markets and of the reduction of tariffs is something that cannot be done if it is divorced from the discussion about the effect that various labor laws have on international competitiveness, productivity, and the cost structure of economies that are on the road to integration."

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Gaviria highlighted the fact that "this conference is being held at a historical time" because "all the topics that deal with the welfare of the workers, employment, labor legislation, and the labor market have acquired a strategic importance for the future of our nations."

IDB President on 'New Latin America'

PY0210225295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2001 GMT 2 Oct 95

[FBIS Translated Text] Buenos Aires, 2 Oct (NA) — Inter-American Development Bank, IDB, President Enrique Iglesias stressed today that "great changes are occurring in the economic structure with regard to the degree and level of competitiveness of our economies and the modernization of the productive processes"; therefore, "we must be aware that we are experiencing a new Latin America."

In particular, he highlighted the fact that "Argentina may be one example, one of the most prominent examples, of this, due to the profound transformations this country has experienced during the past few years."

Moreover, he acknowledged that there are still countries in the region that have a long way to go in order to do away with poverty and misery. He mentioned an IDB statistic indicating that "between 1970 and 1990, the productivity of the labor sector grew by 4.4 percent." Iglesias noted that this increase in a 20-year period is the same as that obtained by the industrialized countries "in less than three years."

"Under these conditions, it is very difficult to imagine that we can meet the demands of a more efficient and more competitive population and improve the standard of living in our countries," he added.

He recommended that the labor ministries investigate "the profound changes that have occurred in the availability of and demand for work, which will increase as a consequence of the structural changes of our economies and of the economic integration processes that are being implemented today in all our countries."

Iglesias spoke at the opening of the 10th Inter-American Conference of Labor Ministers, which is being held in this capital.

ECLA Urges Joint Integration Into NAFTA

PA0210224995 Guatemala City PRENSA LIBRE in Spanish 28 Sep 95 p 117

[FBIS Translated Text] During a news conference held at the Secretariat of Central American Economic Integration, SIECA, the Economic Commission for Latin American and the Caribbean, ECLA, yesterday urged Central America to expedite the region's joint integration into NAFTA, which Canada, Mexico, and the United States signed.

ECLA has prepared the documents known as *Open Regionalism in Central America and NAFTA: Immediate Effects and Future Impacts* in order to guide the Central American countries on the path toward integration with NAFTA, the negotiation of other agreements, and the region's economic opening.

In the opinion of ECLA, Central America must have a long-term vision to join, together, NAFTA and to prevent negative effects for each country's economy during the transition period. According to the ECLA, the integration with North America also implies the adoption of long-term development strategies to move forward with economic stabilization, negotiate a broad and gradual imported goods deregulation process, and carefully define the criteria for the negotiation of the deregulation of services.

This integration will also entail the broadening of labor negotiations to ensure it will include financing to facilitate the adjustment process and social development and honor the commitments of the Uruguay Round and other multilateral agreements.

ECLA affirmed that if Central America intends to attain the same access conditions Mexico had to attain, the best option would be to join NAFTA or to achieve an access similar to those of the North American markets through the signing of an agreement on a Central American Free Trade Region, ALCA.

OPEC President Interviewed on Energy Conference

PA2909194995 Caracas Venevision Television Network in Spanish 0330 GMT 26 Sep 95

[Interview with Erwin Arrieta, Venezuelan energy and mines minister and OPEC president, by Jorge Olavarria at the television studios in Caracas on 25 September; from the "Contemporary History" program — live or recorded]

[FBIS Translated Excerpt] [Olavarria] Good evening. The Fourth International Energy Conference meets tonight in Puerto La Cruz. It is a very important conference for the issue of discussion, for the quality and number of people attending, and for the fact that the conference's host is my good and old friend Erwin Arrieta, current minister of energy and mines of Venezuela, who is also the current president of OPEC. [passage omitted]

[Arrieta] Good evening Jorge and television viewers. Thank you for inviting us to your program for the second time. I am pleased by this. This conference is the

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fourth meeting of a process of meetings aimed at improving ties between consumers and producers, when the world has realized its dependence on the consumption of fossil fuels to feed the industrial structure on which the planet's development is based.

Consequently, what are we discussing? We are discussing the guarantee of the supply to continue to feed that infrastructure, which would otherwise collapse. Now, at what cost or price? To guarantee a feedback of funding as a result of the commercial transaction of this resource, giving producers the response capacity to continue feeding that infrastructure.

On the other hand, consumers, who own this infrastructure — developed nations — want a rational price that justifies maintaining their development or increasing it. This is where the dilemma of seeking a balance for the interest of both parties lies.

This meeting began with a conference called Dialogue of Producers and Consumers, held in Paris in 1991. At that time, France hosted the event and Venezuela was a co-sponsor. At the time, there was already the precedent of informal meetings. [passage omitted]

[Olavarria] I understand three basic issues will be discussed. The first topic of the first session is the world energy prospects of petroleum and gas. What does this mean?

[Arrieta] The agenda gives the discussion a framework because, since this is a discussion meeting in which at the beginning producers and consumers had to state what they wanted, where the line of confrontation or integration lies, there was no agenda. This was a brainstorm meeting [preceding two words in English] to come up with ideas, so as to obtain points of common agreement. These points were set aside to seek harmony, with a view to what we want. I am absolutely confident that after reaching the fourth edition, there is a universal will on the part of all countries that we must find something, producers and consumers, to turn this into an integration platform of development amid peace and not a platform of confrontation, like those that existed in the past. [passage omitted]

[Olavarria] Tomorrow when he speaks to that audience, the president of Venezuelan Petroleum, Inc. will have a mixed audience. One, he will have those who will listen to him as consumers and those who will listen to him as competitors — namely other petroleum producers. They will see all the potential Venezuela has in this regard, all that it is doing, and all it can do.

[Arrieta] A very interesting point is that of competition. Here we have competition of consumers with producers, and there is competition among producers. But, of worse, what the economists call globalization has been present in all economic activities, and energy is no exception.

In addition to this, the market laws continue to govern the different stages of the industry. Moreover, there has been a dramatic drop in costs as a result of an increase in operation efficiency.

[Olavarria] [words indistinct] in the costs?

[Arrieta] Yes, the case of the North Sea when there was a depression of prices recently. Everyone then said this would get high-cost producers like North Sea producers out of the market, and they surprised us. They had very low costs as a result of having developed efficient technology to have a capacity to respond and still make money in the business.

[Olavarria] Is this our case?

[Arrieta] That is the case...

[Olavarria, interrupting] Are we reducing costs?

[Arrieta] Of course. I am absolutely sure of this.

[Olavarria] Ivan Pulido says no.

[Arrieta] Well, I believe Ivan is misinformed. By the way, I came across with him the other day. I ask him to get informed and have the information ready, to be able to make an analysis.

[Olavarria] What are the technological factors that reduce costs? This is very interesting: An industry that produces so much money that hires very few people, and on top of that is reducing costs. In other words, is opening an oil well deeper than those opened 20, 30 or 50 years less costly?

[Arrieta] It is less costly if you look at things from the viewpoint of commercial accumulation, which is massive. But also the need for investments is massive.

[Olavarria] What about the costs of heavy petroleum?

[Arrieta] All these costs are being cut down and it is the new vice in competition in the energy sector. This is also part of this competition. I loved your question regarding the competition. This is a competition among producers, but a competition that if we move on the path of rationalization with dialogue to seek points of convergence and integration, we must also remember what is that line and how can we achieve this. We must do this to prevent the planet from being affected by an energy crisis, resulting from the lack of economic resources to guarantee the supply of oil. If you don't have financial resources to buy petroleum and have capacity to respond to growing market needs, there

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will be a crisis. But if petroleum is to be charged at high prices, your industrial infrastructure will be equally affected and your development may be slowed. [passage omitted]

[Olavarria] Are there any grounds for all the allegations being made in the United States about Venezuela's gasoline being polluted with this or that, or are they just attempts in bad faith by our competitors to trip us?

[Arrieta] Mostly attempts in bad faith from our competitors aimed at tripping us. Of course, Venezuela has already filed several complaints with trade organizations throughout the world including the WTO. In fact, we were being discriminated against because, despite having met all requirements demanded, there was an attempt to propose preconditions that would have been detrimental to Venezuela and would have placed us in a position of unfair competition relative to our competitors...

[Olavarria, interrupting] Before referring to the issue of gasoline price increase, a measure adopted quite recently that is causing certain repercussions which I would like to discuss, first tell me something about the agenda of this conference, which I understand is about technology and the environment. These are very important topics that somehow represent a major threat to fossil fuels. The deterioration of the environment due to the use of fossil fuels could well encourage the search for other sources of energy such as hydrogen, or nuclear energy, both of which would most likely not have that same impact on the environment — at least not in the case of hydrogen.

[Arrieta] Well, if we consider the case of nuclear energy and Chernobyl...

[Olavarria, interrupting] [words indistinct] strong words.

[Arrieta] The technological aspect you referred to at the beginning of the program is one of the major element of competition. Insofar as...

[Olavarria, interrupting] A major element of competition among producers, that is.

[Arrieta] That is right, a major element among competitors. Insofar as we are able to cut costs due to more efficiency in production as a result of more technology, this will be included within the framework of economic competition. There is no doubt about this. With respect to the matter of the environment, this is indeed a new issue [preceding word in English], especially following the Rio Convention in 1992. The first meeting of the group of countries that took part in the Rio Convention was just held recently to give shape to what may occur in a just-in-case [preceding three words in English] scenario to those of us who may be required to cut back fossil fuel resources on account of having been pointed out as causing the greenhouse effect — the warming of the atmosphere — polar residues, or the increase in the ocean levels. All of these issues are causing concern among insular nations that are being influenced toward adopting positions against...

[Olavarria, interrupting] You forgot to mention oil spills.

[Arrieta] [words indistinct] I believe that the exposure of some nations on account of their deficit...

[Olavarria, interrupting] Energy deficit?

[Arrieta] Yes, energy deficit. This deficit forces them to turn to the environmental pollution issue.

[Olavarria] However, these are countries that are rich in coal. Are they not?

[Arrieta] Yes, Jorge, but there is also a very distinct degree of hypocrisy, especially if we take into account the carbon tax [preceding two words in English] that has been invented.

[Olavarria] What is this?

[Arrieta] The carbon tax is a tax on the contaminating effects of fossil fuels. Why do I say that there is a distinct degree of hypocrisy? Because there is a sort of contradiction with the philosophy of looking after the environment regardless of whether or not a country is capable of paying. You are paying to contaminate. In other words, you contaminate and then pay a tax.

[Olavarria] The real point then is to pay in order not to contaminate?

[Arrieta] That is exactly the point I want to make. I would also like to say that fossil fuels should not be blamed for the environmental damages that are currently taking place. It is man. If man implements technology and knows how he can use these resources without having to worry...

[Olavarria, interrupting] Is this the main topic of the plenary session?

[Arrieta] Yes, this is the main topic to be discussed during the plenary session.

[Olavarria] Who will be the speaker or speakers responsible for delivering papers on this topic?

[Arrieta] The speaker will be... [pauses] France will be the first country to address the topic.

[Olavarria] I understand that Germany, Saudi Arabia, Argentina, India, and Japan will also address the same

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issue? In other words, a consumer nation, a producer, a consumer-producer nation like Argentina, India — India is a consumer — and most naturally Japan, which is another consumer.

[Arrieta] That is correct.

[Olavarria] Now I understand.

[Arrieta] Of course these are issues where we do not expect any controversies during the debates. This is one of the benefits of this type of meeting — which, by the way, is going to take place behind closed doors. Entrance will be restricted...

[Olavarria, interrupting] Behind closed doors?

[Arrieta] Yes.

[Olavarria] Why is this?

[Arrieta] Because this meeting has not been organized to be a seminar.

[Olavarria] So the press will have no access to the debates?

[Arrieta] The press will have no access to the plenary sessions, but it will be allowed outside the session hall, where they will be able to interview the ministers. In fact, this is a meeting that so far has not arrived at any conclusions. This is a sort of meeting where we simply discuss issues...

[Olavarria, interrupting] Is it an exchange?

[Arrieta] This is an exchange, as I told you. This meeting is designed to foster ideas, gather the ideas that are of common interest for the participants, and list the ideas that will enable the community of consumers and producers to reach a progressive plan to make energy a development factor in an atmosphere of harmony instead of friction.

[Olavarria] Concerning the list of topics for the third plenary session, we have noticed that the countries that will be discussing the topic of requirements for investment and reintegration of industry include Algeria, Egypt, Italy, Kuwait, Malaysia, and the United Kingdom. How could countries with such disparate interests discuss the same topic? This group of countries includes Algeria and the United Kingdom, while Malaysia is only a consumer.

[Arrieta] On one hand, if I were a developed country that has an energy deficit, I would need that resource to be able to sustain my development structure. Don't you agree with this? On the other hand, if I were a country that produces petroleum and had the resources to sustain my development structure, I would still need financial resources to guarantee that supply. From this angle, as we observe this midway position, we must begin searching for ways to reach a middle ground.

[Olavarria] [Passage indistinct]

[Arrieta] However, we must be careful. The core of the problem lies in how much a country will receive today from tapping and developing its resources, not only to sustain its own development and its goal of joining the developed world but also to be able to continue meeting the energy needs of the developed world. The significance of discussing this topic lies here, and this is the reason behind the diversity of the speakers and the participants. Once the attendees begin to propose ideas — which might seem contradictory at first — we will try to push aside the differences and focus on the points of agreement.

[Olavarria] Will any bankers or financiers be attending this meeting?

[Arrieta] We invited such multilateral organizations as the World Bank, whose representatives are here.

[Olavarria] I see. For instance, we have a very interesting case here: Kuwait. Kuwait has huge oil reserves, produces oil, and has a very small population. Kuwait is also an exporter of capital, because even if it wanted to, it would not be able to consume all the capital generated by the oil companies. Consequently, Kuwait has so much capital that it could become a banker, but it is not. Why?

[Arrieta] It has very large liabilities because of the cost of the war.

[Olavarria] But what about before the war?

[Arrieta] That was another situation. Furthermore, Kuwait was able to overcome the setbacks caused by the war.

[Olavarria] By the way, I forgot to ask you whether Iran will be attending this conference.

[Arrieta] Both Iran and Iraq will be coming. The Iraqi deputy minister and the Iranian minister [words indistinct] who is also the senior member of the OPEC ministers.

[Olavarria] Will the lifting of sanctions against Iraq be discussed?

[Arrieta] This is a controversial matter and is not part of the agenda.

[Olavarria] This is not part of the agenda. Won't the Iraqi delegate bring the subject up?

[Arrieta] Absolutely not. He will limit himself to discussing the topics of the agenda.

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[Olavarria] He will do some lobbying, won't he?

[Arrieta] Each person, in a bilateral meeting with his counterpart, friend or enemy — if any — will be free to discuss, fight [word indistinct]. However, none of this will be allowed within the framework of this meeting...

[Olavarria, interrupting] Will Israel be attending?

[Arrieta] No.

[Olavarria] Why not?

[Arrieta] Israel has not attended any of the meetings...

[Olavarria, interrupting] Wasn't it invited?

[Arrieta] I am not sure that it was invited to the first meeting. It was not invited to this meeting because, among other reasons, we had to establish a framework of reference. [passage omitted]

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Cuba

Vice President Meets With Colombian President

PA2909202595 Havana PRENSA LATINA in Spanish 0153 GMT 29 Sep 95

[FBIS Translated Text] Santa Fe de Bogota, 29 Sep (PL) — The upcoming summit of the Nonaligned Movement [NAM] and the positive impression regarding the course on bilateral relations were the highlights of the meeting of Colombian President Ernesto Samper and Carlos Lage, vice president of the Council of State.

Talking to PRENSA LATINA, Lage said he had the opportunity to talk with Samper about the 11th NAM summit in Cartagena de Indias and review the current state of bilateral ties.

The Colombian president conveyed a warm greeting to Cuban revolution leader Fidel Castro and noted that he hoped to see him soon at the Ibero-American summit in Bariloche, Argentina, and in Cartagena de Indias.

During the third day of an official visit to this city, Lage, who is also the executive secretary of the Cuban Council of Ministers, met with Development Minister Rodrigo Marin, who will visit Havana in October to sign a cooperation agreement on tourism.

The senior Cuban official noted that he also talked with Marin about the meeting of Colombian tourism agencies to be held in Cuba next month and about the content of a document agreed on by the (Colombian) Development Ministry and the (Cuban) Foreign Investment and Economic Cooperation Ministry.

Lage also met with Education Minister Maria Emma Mejia regarding the Colombian request to raise to 50 the number of physical education instructors.

On this matter, Mejia mentioned Colombia's interest in obtaining Cuban advisory services on school sports. The two sides also talked about the good level of exchanges in higher education and the meeting of university presidents to be held in Havana in November.

Another highlight of his activities was the working lunch where Colombian businessmen who have already established ties with Cuba gave a broad presentation. These businessmen used this opportunity to give their views on the economic reforms undertaken by Cuba.

Lage, accompanied by Vice Foreign Minister Jorge Bolanos, visited, in the morning, the "Minute of God" installations, where the Cuban experience in building low-cost housing and biofertilizers [biofertilizantes] is being applied with the assistance of Cuban experts.

Yesterday at the Gonzalo Jimenez de Quesada Conventions and Exhibit Center, the Cuban envoy briefed over 100 businessmen on the new foreign investments law. At the meeting, Lage reiterated the irreversible nature of his country's opening, "with our without" the U.S. blockade.

The visiting delegation will conclude its stay in Colombia tomorrow. Before leaving, it will hold another meeting with businessmen sponsored by Proexport [expansion unknown], an entity associated with the Foreign Trade Ministry that is serving as the main host of the vice president of the Council of State.

Vice President Predicts Sustained Economic Growth

PA0310001295 Havana PRENSA LATINA in Spanish 1945 GMT 29 Sep 95

[By Fausto Triana]

[FBIS Translated Text] Havana, 29 Sep (PL) — Although Cuban Vice President Carlos Lage today admitted that the battle for the island's development is still facing difficulties and major challenges, he affirmed that his country is tending to achieve a sustained economic growth for the next few years.

In an exclusive interview with PRENSA LATINA, Lage pointed out that during the first half of 1995, a 2 percent increase was achieved, which is an increase that must be repeated during the rest of the year despite the setbacks of the sugar industry, a basic economic sector for the Caribbean nation.

Questioned on the prospects for next year, Lage, who is also executive secretary of the Havana cabinet, said that the foundations for a substantial recovery in sugar production have been created; this must be shown by an economic development increase for the largest Antillean island.

This does not mean that we are ready to take a big economic leap. We are facing complex situations that require time and maturity. However, the progress we have made in the country's irreversible opening process is unquestionable, he added.

The high-ranking official pondered on the achievements made and the problems still adversely affecting the country. Among the favorable aspects, he mentioned the improvement in domestic finances, which are heading toward equilibrium.

These and other results show positive signs that our policies are working; however, they fail to give immediate solutions. It is necessary for these indicators to have an impact in the country's balance of payments and to be able to improve foreign exchange inflows, he maintained.

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Lage added that Cuba has been forced to resort to too many short-term credits; "in short, we need more time for the 1995 modest results to be reflected upon the country's consumption level."

In answering a question on the island's future, on which certain detractors predict a gloomy outcome, Lage stressed that the Cuban revolution has shown not only its ability to resist, but also its level of recovery to defeat the crisis.

Every day, the world issues more statements of confidence in our development strategies. The debate now centers on how long it will take us to overcome the current difficulties, he asserted.

"The truth is that a few years have gone by since the Soviet Union disappeared. The United States has toughened the blockade against our nation, and the revolution continues to implement initiatives to overcome the existing problems with the incentive of ending a promising year," the Cuban vice president stated.

Further on in the interview Lage granted to this reporter on his official visit to Colombia, which ends today, and his previous visit to Mexico, the high-ranking Cuban official described as quite rewarding the meetings he held in the two countries.

Through the Santa Fe de Bogota embassy in Havana, we received an invitation to come here to hold meetings with President Ernesto Samper, several ministers, and a large group of businessmen, he explained.

We have noticed a marked interest in learning of Cuba's situation, and it was very appealing to explain the new Foreign Investments Law our country has to an audience of more than 100 Colombian businessmen, Lage added.

He also mentioned his second meeting with Samper, in which he told the chief of state of Cuba's desire for the success of his administration at the internal level and as future occupant of the presidency of the nonaligned movement.

Lage disclosed that he offered the Colombian head of state medical assistance from the island to help alleviate the dengue and encephalitis epidemics lashing at the Andean nation's coastal regions. To this end, the pertinent procedures will be conducted through the public health ministries.

Likewise, during his recent stay in Mexico at the request of President Ernesto Zedillo, the Cuban vice president voiced his satisfaction over that country's invariable position on its relations with Cuba and its rejection to the U.S. economic blockade.

Vice President Lage also pointed to the continuity and consolidation of the economic and commercial ties between Mexico and Havana despite the undeniable setbacks that nation has had as a result of the financial crisis that took place in late 1994.

Finally, he stressed that he is convinced that the obstacles found in the path — as well as the likely approval of the Helms-Burton bill to tighten even more the U.S. economic, commercial, and financial siege on the island — will not prevent Cubans from reversing the current situation while defending their independence, sovereignty, and development.

Higher Education Minister Visits PRC

PA0310032695 Havana Radio Rebelde Network in Spanish 1155 GMT 29 Sep 95

[Telephone interview with Higher Education Minister Fernando Vecino Alegret in the PRC by Jose Mayo; from the "Doing Radio" newscast" — live]

[FBIS Translated Text] [Mayo] Do you hear me, Vecino?

[Vecino] Perfectly.

[Mayo] First, please tell us, what is the purpose of your visit to this Asian country?

[Vecino] Well, look, China had invited us long ago. China was interested in exchanging experiences, particularly to learn about higher education in Cuba so as to make decisions for a more specific exchange between our universities in the future. Rectors from two of our main universities are here with me. We held very fruitful meetings — even more so than we initially expected — with the Chinese Education Ministry.

I signed a broad agreement — not a general one — to protect the relations that might be established between our universities. They decided for us to have links mainly with the (Nianying) region in (Suityang) Province, which has 70 million inhabitants. This province has more university students and more universities than Cuba. There we visited two excellent centers: the agricultural university and the polytechnic university, a very high-level university somewhat comparable to our ISJAE [Jose Antonio Echeverria Higher Polytechnic Institute], for example. Academic authorities from both universities showed great interest in making an agreement to exchange some of our professionals, professors, and researchers to study in either country and do some joint research in the future. Four rectors from (Nianying) will visit Cuba in the first half of 1996 to sign agreements in this regard with our universities.

They showed great interest in our students' activities and on how our student associations operate. We

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explained the university's role in our society. We gave them a very profound definition given very recently by our revolution leader, comrade Fidel, who has said that our revolution was a revolution of workers, peasants, and students. This impressed them very much and we explained its meaning. We are very much satisfied with our talks.

I do not know if I can tell you further about our visit to Shanghai. May I continue?

[Mayo] Yes, go ahead.

[Vecino] Well, then we visited Shanghai, a city that highly impressed us because of its great development. Construction has reached a tremendous level there. You can see that its economic life is doing very well. They expressed to us their concern for our experience in the educational and information sectors. They are truly interested in what our fatherland has done as to university education and the university's role in our national life and in building a socialist society in our country. Then we visited an excellent university today. President Jiang Zemin graduated from this university and is also an honorary professor. I think it has contacts with the world's most important universities in technology. They also showed interest. The rector also eagerly agreed to visit our country. This exchange was very fruitful also. We visited various high-technology labs at the university.

Last night, we met with the city's deputy mayor. This city has 12 million inhabitants. Shanghai has 45 universities just like Cuba. Therefore, we are speaking of gigantic dimensions here. We discussed with the deputy mayor the possibility that Santiago de Cuba and Shanghai may become twin cities in the future, just like Beijing and Villa Clara. Chinese political leaders from these regions are demonstrating a very evident resolve to carry this out. In other words, we saw evidence of a great friendship and much affection toward Cuba. We are very much satisfied in this regard. I believe that... [pauses] I was telling them that we did not want to come empty-handed during our official visit. I think that we are not leaving empty-handed. There are immediate prospects and, I believe, in 1996 we will see specific results of this exchange with China in this highly developed field. Truly, higher education in China has greatly developed in many universities. Have you heard me?

[Mayo] Yes, I am listening.

[Vecino] Tomorrow...

[Mayo, interrupting] Yes.

[Vecino] We were invited by Prime Minister Li Peng to the celebration of the Chinese Revolution anniversary. It is an honor for this Cuban delegation. Thus far, there have been three Cuban delegations. Fishing Industry Minister Orlando Felipe Rodriguez Romay is here also. Comrade Lezcano left today. I can tell you this with good knowledge of the higher education delegation's visit, which I headed. Tell me if you have heard me? Very warm greetings to our working people.

[Mayo] Finally, Vecino Alegret, the 35th anniversary of Cuba's diplomatic relations with China is currently being commemorated. In this regard, have the news media and the Chinese people reacted to the Cuban delegations for this very significant celebration?

[Vecino] Look, I cannot really tell you anything about the written media. I have seen evidence thereof on television. I have not had the opportunity to look at the written media. It should have been covered. However, there has been evidence everywhere we have gone. Sometimes professors have simply mentioned it. That is, they feel much gratitude for Cuba and express it maybe more than ever before. Cuba was the first Latin American country to give recognition to China, which has a great value for them. I believe there are feelings of friendship and admiration. We have received expressions of gratitude everywhere for the Cuban Revolution's leader and for what we are accomplishing. That is that all we can say in this regard, is that we are very much impressed as revolutionaries. We are proud of being our people's childrenm when we see this gratitude for Cuba's recognition and its steps toward a strategic unity — which is the most important thing we have done at an international level, particularly over the past few years.

[Mayo] Well, thanks a lot for your comments, comrade Vecino Alegret, for "Doing Radio" listeners.

This has been a telephone interview with Higher Education Minister Fernando Vecino Alegret, who is currently in China for an official visit. Thanks for your attention.

Environment Minister Signs Pact With Colombia

PA2909230095 Havana PRENSA LATINA in Spanish 0119 GMT 26 Sep 95

[By Lidia Senaris]

[FBIS Translated Text] Havana, 25 Sep (PL) — Colombian Environment Minister Cecilia Lopez and Science, Technology, and Environment Minister Rosa Elena Simeon signed a cooperation agreement on this matter today, during the ninth Latin American and Caribbean environment ministers meeting being held in Havana. The agreement includes exchanges in areas such as

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biotechnology based on sustainable production methods, research of the marine environment and coastal ecosystems, environmental technologies compatible with sugar cane farming, and environmental instruments and legislation systems.

Talking to PRENSA LATINA, the Colombian minister praised the Cuban experience in biotechnology research and production and in the adequate handling of residuals of the sugar cane industry. She mentioned the growing communication between the two countries in many areas.

This can be, she noted, a starting point to face the biopiracy [biopirateria] the developing nations suffer on occasion and to take advantage of the enormous biodiversity we have.

We have to avoid, for example, that the blood from some Colombian Indians resistant to a specific disease or the seeds of a medicinal plant of ours be taken to the industrialized world, manufactured into a product, and patented, to be later sold to us at very high prices, Lopez said.

We must find ways to unite biotechnology and biodiversity in our own region, she noted, without meaning by that that we give up some possible agreement with major research centers from the highly developed countries. Dr. Simeon concurred with her Colombian counterpart on the need to make optimum use of the great biological biodiversity of Latin America and the Caribbean for the benefit of these peoples. She recalled that, according to scientific studies, it is in the flora and fauna of the region that the cure for many diseases can be found.

She described the agreement as a major step in the ever fruitful encounter and mutual path of Cuba and Colombia.

Army Carries Out Maneuvers in Torrential Rain

PA2909163395 Havana PRENSA LATINA in Spanish 1521 GMT 28 Sep 95

[FBIS Translated Text] Havana, 28 Sep (PL) — Under a tactical situation recreating an iron-clad blockade of this country and harrassment actions by the enemy, troops of the Cuban Eastern Army are carrying out the Moncada II-95-2 maneuvers, local media reported today.

The exercises, which will last several days, are part of the systematic preparation of Cuban military units, and they involve leadership groups and directorates, defense councils, regular units, Territorial Militia Troops Directorate (popular group), and organ production and defense brigades, the sources pointed out.

The exercises test the professionalism, acquired abilities, and the ability to work directly on site of the chiefs, among others.

Leadership groups, including chiefs, chiefs of staff, and defense councils, were engaged together in decision-making tasks and in activities involving cooperation among the participants.

According to the media, this maneuver had the particularity of taking place under torrential rain, and this further tested the state of troop readiness.

Although it is said that the Cold War era is over worldwide, the intensification of the U.S. blockade against Cuba and attempts to further reinforce it do not indicate this.

Thus, Cuban military men assure that the best way to prevent a possible confrontation is to prepare for it.

CDR's Mark 35th Anniversary in Santiago de Cuba

PA3009042395

[FBIS Editorial Report] Havana Tele Rebelde and Cuba Vision Networks in Spanish at 0031 GMT on 29 September broadcast the recorded ceremony marking the 35th anniversary of the Committees for the Defense of the Revolution, CDR's, held at the Plaza de la Revolucion in Santiago de Cuba. The ceremony starts by playing the Cuban anthem, followed by an unidentified CDR member listing the names of some of the attendants, including General Raul Castro, second secretary of the Central Committee of the Communist Party of Cuba, and Commander Juan Almeida Bosquez, Council of State vice president. The ceremony continues, and unidentified CDR members read poems and sing songs while the band plays.

Some 25 minutes after the event started, CDR National Coordinator Juan Contino appears on stage and starts delivering his speech. He starts by welcoming Raul Castro and all CDR members and recalling how the CDR's were inspired by the fervent words of Fidel Castro. He says that the Revolution can work miracles, adding that "this anniversary we are marking today has been characterized by many activities. Certain comrades have told us that this reality is not common in every neighborhood." Contino then says that 54,000 Santiago de Cuba residents have helped formed the CDR's. People applaud. He then lists some of the achievements of the CDR's, including weeding of sugarcane fields and the cleaning of neighborhoods.

The CDR national coordinator points out that "the CDR's were born to defend the revolution, and it continues to be the goal now and forever. Defending the

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revolution means to keep the guard high on all matters concerning the community, while we guarantee the calmness and security of our neighborhoods." Contino goes on to list some CDR tasks and affirms the following: "We defend education by supporting teachers and schools, and we defend the right to live of an entire people." Next, he says that he is not pleased with the work done and starts pointing to some of problems the CDR's have: "The CDR's have not had sterile phases; they have always fulfilled in an exemplary fashion the role demanded by the time. New challenges have emerged. The European socialist countries collapsed and melted like snow hit by the sun, leaving the Caribbean socialism standing, because it cannot be melted as it is the sun itself. The revolution has had to face the difficult need to survive in a hostile world where neoliberalism prevails and where we are forced to engage in a mixed economy. Certain inevitable decisions trigger inequalities among neighborhoods and families."

Contino vows not to relinquish socialism, the ideas of Marx and Lenin, the humanism of Jose Marti, and the justice that has characterized the revolutionary people and the Communist Party of Cuba. He recognizes that there are lazy people, but he is certain that the ideas are well cemented: "Our convictions are in excellent health conditions, and our revolutionary principles are not sold, nor can they be purchased, at the foreign exchange stores." He adds that Fidel was right when he said that if the CDR's had not been founded, we would have had to create them now. The CDR official then acknowledges the members of the complex mass forming the neighborhoods: retirees, housewives, self-employed people, idle workers, students, and part-time workers.

Next, Contino says the following: "We cannot say that the situation is the same everywhere. There are people who change their frame of mind with the new jobs, break the laws, start telling tales, and want to get richer at the expense of their neighbors. However, the waters will return to their course, and these violators must be reminded that our people do not forget. Honest workers will always have the gratitude of all of those who knocked on their doors and received a fair treatment at a fair price." He then recalls that the CDR's have a great deal of strength in the communities; it is not a cheap show. Community works do not stop, he assesses, adding that it is like the slogan of the three musketeers: all for one and one for all. The only difference, he explains, is that it is not three of us; it is millions of revolutionary musketeers. The public applauds.

The CDR leader then comments on street crime and reminds people that stealing is not good since someone else could steal from then in the future. He urges people to stop gossiping; it will lead them nowhere. The revolution has taught Cubans solidarity, Contino underscores, adding that if they are Fidel followers, they are humans; Fidel and Raul are examples of Jose Marti's humanism. The public again applauds and chants: Viva Fidel! Viva Raul!

Contino then stresses the following: "Our enemies hate us because we are a human revolution; the enemies hate the CDR's to death. For us, it is an extraordinary privilege that such a colonialist as Helms drafts a bill in which one of the requirements to approve a transition government in Cuba is the indispensable dissolution of the CDR's. If such a bill calls for our deaths, it means we are alive; if such an aberrant law seeks our disappearance, it means that we will live forever. If such an inhumane law condemns us to be dismantled, it means that we are humans. If they approve this bill, they will have a little problem: they will have to come here to close, one by one, all the CDR's, and, in each bloc, they will again know what revolutionary, united, and organized people are capable of. People applaud. He then concludes that the revolution will not disappear because of a U.S. law, and that no one will dissolve the CDR's. The Cuban revolution is a work of love, Contino assessed, adding that "we will never surrender on our knees the fatherland our ancestors won standing up." He finally says: "Today, tomorrow, and always, we will win."

The ceremony continues with a choir of children singing a patriotic song. They are followed by an unidentified woman, who also sings. When she is done, the ceremony, which lasted one hour, ends. Fidel Castro was not seen attending this ceremony.

Information Center Official Explains Internet Access

PA0310004195 Havana PRENSA LATINA in Spanish 1719 GMT 29 Sep 95

[By Lidia Senaris]

[FBIS Translated Text] Havana, 29 Sep (PL) — Engineer Jesus Martinez Alfonso today disclosed here that Cuba has the technology to link to Internet and is solving certain technical details with a view to its future incorporation into this world electronic information network.

The director of Cuba's Center for Automated Information Exchange [Centro de Intercambio Automatizado de Informacion] (Ceniai) of the Institute for Scientific and Technological Documentation and Information [Instituto de Documentacion e Informacion Cientifica y Tecnologica] told PRENSA LATINA that the Caribbean

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country requested and obtained an authorization from Internet's administrative body to join this network linking more than 128 countries.

He explained that we currently have well-structured domestic networks, basically in the academic and scientific fields, and that we are working on a set of internal regulations for our access to Internet.

Questioned on the advantages of this connection, Martinez pointed to the possibility of accessing all the information contained in this sort of electronic encyclopedia, which is constantly renewing itself, and stressed that 70 percent of these data can be freely obtained.

It will also let us, he went on, establish relations, make public to the world the reality of Cuba's most dissimilar living circles, and immediately learn of breakthroughs in science, commerce, and economy. In short, we will learn of breakthroughs in all sectors.

"This is significant for any country, because information is an essential resource for development," he pointed out.

Internet also involves, among others, risks and certain messages and services that constitute aggressions to individuals and to the cultural identity of peoples. However, we are aware of them; we are studying them; and we will set our strategy to face them, the expert commented.

Anyway, he affirmed, Internet has many more benefits than dangers, because failing to link to Internet would constitute the true danger.

Almost all of the country's professional circles are currently using two Internet services through the Ceniai: electronic mail and the gopher [previous word received in English] (a sort of a varied bulletin), Martinez added.

He recalled that Internet has 30 million users and more than 16,000 connected networks throughout the world and that 35 megabytes of information (approximately 35 billion printed pages) a day move through Internet.

This issue was the object of a special seminar held during the Info 95 International Information Congress, which ends today at the Havana Convention Center and which 300 specialists from several continents are attending.

Haiti

Aristide Announces Compensation for Coup Victims

PA0210223295 Port-au-Prince Signal FM Radio in French 1030 GMT 2 Oct 95

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] There was a ceremony in memory of the victims of the coup d'etat of September 1991 this Saturday at the presidential palace, in the presence of diplomats accredited to Haiti, several government officials, victims and victims' relatives.

In the speech he delivered on this occasion, Haitian head of state Jean-Bertrand Aristide bowed before the dead on this tragic day in the history of Haiti. He urged all Haitians to unite so that such dates do not occur in the history of the Haitian people. The head of the executive also inaugurated a statue in memory of Captain Fritz Pierre-Louis, who was shot dead on the very day of the coup d'etat by the military putschists. The entire delegation then went to a square located in front of the former premises of the [Army] General Headquarters, where flowers were placed in memory of Fritz Pierre-Louis.

A peaceful march also unfolded in the capital, following a mass celebrated at the Port-au-Prince Cathedral. This march ended at the cemetery of Port-au-Prince. We invite you to listen to the statements made by head of state Jean-Bertrand Aristide during this ceremony.

[Begin Aristide recording, in Creole] On 30 September 1991, the donkey was loaded with dead bodies [reference to a statement by former U.S. Ambassador Alvin Adams resulting in Adams being called "Bourik Chaje," "the loaded donkey"]. Blood was shed. There were people who were soaked in blood.

[In French] Never again, never again should coups d'etat destroy the social fabric. [end recording]

Furthermore, the president announced compensation in favor of the victims of the coup d'etat. Twenty percent of the budget of the Ministry of Justice will be earmarked to reach this goal, he said.

[Begin Aristide recording] May peace shine. May the two-colored [flag] of justice flap everywhere! May our economy rise from its ashes! May dialogue replace weapons! Two hundred years of suffering are enough! Two hundred years of institutionalized violence are enough. Two hundred years of chronic poverty are enough. May the nation revive in peace! May the nation live in peace! Allow me to proclaim my faith in you, I believe in you, people of Haiti. You are the

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actors par excellence. You are the protagonists. I believe in you. Do not let yourselves be weighed down by suffering. Walk, walk in peace and nonviolence toward democracy. [end recording]

These were the words used by the Haitian head of state, His Excellency Jean-Bertrand Aristide, to express himself on 30 September at the presidential palace during the ceremony held in order to commemorate the fourth anniversary of the bloody coup d'etat of 1991.

I am reminding you that Jean-Bertrand Aristide announced compensation in favor of the victims of the coup d'etat. He asserted that 20 percent of the budget of the Ministry of Justice will be earmarked for that purpose. [passage omitted]

Toussaint Against Further Demobilization of Interim Police

PA0210223495 Port-au-Prince Signal FM Radio in French 1030 GMT 2 Oct 95

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] The process of demobilizing the elements of the interim force police continues. Its spokesman, Lieutenant Jean-Lyonel Trecil, asserts that as the national policemen are taking office throughout the country, the interim policemen will be demobilized and then integrated into the program conceived by the Haitian Government jointly with the International Organization for Migrations, allowing them thus to reintegrate into civilian life. Lt. Trecil has revealed that about 2,500 interim policemen have already been demobilized since the national policemen began working. He further says that the process is made based on evaluation criteria, credibility, and so on. [passage omitted]

Major Dany Toussaint, however, said he is against any new demobilization within the interim police. The commander of the interim police force has argued in favor of integrating the interim policemen into the national police that is being formed, thus rejecting any new program for demobilization of the other interim policemen. If those policemen have to be demobilized, I will go with them, Commander Toussaint warned, adding that if there is no place in the national policemen for the interim policemen he is leading, there is no place for him either. He said he does not intend to betray his troops, who continue to sacrifice their lives and who behave as true professionals in the field.

According to Maj. Toussaint, these men, to whom there are no reproaches to make until now must have their chance in the national police force, because they have competence and experience in the most varied of fields. He has labelled those who are deliberately trying to create conflicts between the interim policemen and the national policemen as agitators, pointing out that once the latter have graduated, they tend to the humiliate their interim colleagues. The incident during which a member of the interim police was injured by a colleague of the new national police force might be — according to Toussaint — at the origin of new bloody episodes with incalculable consequences for the country. He has paid tribute to the company commanders who managed to calm their men because, as they are frustrated daily. The interim police see this incident — according to him — as a new affront.

During this interview, Maj. Toussaint raised the question of permits to carry weapons given under his command. Members of the national police allegedly refuse to recognize his signature. Within the scope of the continuity of the state, I do not see inconveniences in recognizing the signatures of my predecessors at the bottom of the permits that had already been delivered, the chief of the interim police said while informing that he is the subject of a denigration campaign by members of the national police force.

Radio Interviews French Official on Possible Aid

PA0210234995 Port-au-Prince Signal FM Radio in French 1030 GMT 2 Oct 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] France will provide additional aid to Haiti within the scope of the presidential elections scheduled for the upcoming month of December, according to the head of the French cooperation in Haiti, Mr. (Jean Abert) during an exclusive interview given to Signal FM.

Mr. (Abert) has said that France has already given a financial aid of 5 million francs within the scope of the latest elections, an amount which was used to pay the members of the polling stations. That was the global French aid to Haiti for the elections of 1995.

However, given the insufficiency noted for the organization of the presidential elections, France is now studying the possibility of providing an additional aid, but it is nevertheless too early to speculate on such a possibility.

[Begin recording] [(Abert)] We brought a financing of 5 million francs for the realization of the electoral process. These 5 million francs were used to pay the salary of all the Haitian personnel who participated in the preparation and the organization of the elections. This financing — in our mind and we said that to both the United Nations and the Haitian Government — should allow... [pauses] It was our contribution to the legislative and local elections that were just held, and

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to the presidential elections. Now, we know that there will not be enough [word indistinct]. So, the question of knowing whether we are going to give a second financing for the presidential elections or not being studied in Paris.

[Unidentified reporter] So, for the presidential elections, (?additional aid) is being considered in Paris?

[(Abert)] Yes and no. Once again, what we gave the first time should cover all the elections. So, in a certain sense, we can consider that we have already financed the presidential elections. Now, it would be a bit artificial to do that. We know there will be a lack of money. So, we are studying how we can add to what we have already given. [end recording]

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Foreign Secretariat Approves Extradition of Italian

PA0310043595 Mexico City XEW Television Network in Spanish 0430 GMT 28 Sep 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Mexico's Foreign Relations Secretariat has approved the extradition of (Francesca Vacca Grafagni), who resides in Cuernavaca, to Italy. She will be tried in Italy for concealment and money laundering. This money was illegally obtained by Italy's Socialist Party Secretary Bettino Craxi.

SHCP: Peso Volatility To Normalize in (Few Weeks)

PA0210220295 Mexico City EL FINANCIERO in Spanish 28 Sep 95 p 4

[Report by G. Flores, R.E. Arroyo, A. Salgado, and V. Gonzalez]

[FBIS Translated Text] The Finance and Public Credit Secretariat (SHCP) has indicated that the peso's volatility will get back to normal within the next few weeks because the pressure on the peso is the result of temporary factors found within a floating foreign exchange system.

Alejandro Valenzuela, Action Plan To Strengthen the Agreement of Unity to Overcome the Economic Emergency (PARAUSEE) spokesman, pointed out that the ups and downs in the exchange market are also the result of such factors as the anticipated coverage of banks and corporations in light of the approaching end of the month and quarter, as well as the behavior of international financial markets.

In a communique, Valenzuela assured that the exchange market will soon regain calm, because "we have to recall that we had weeks in which the peso was stronger than the dollar and vice versa, which is inherent in a floating system." However, brokers, analysts, and Wall Street mutual fund handlers agreed that the lack of coordination among the policies of the private sector and government and those of Banxico [Bank of Mexico] and the SHCP, along with the reactions to the OECD evaluation on Mexico and the uncertain political and exchange expectations, stopped the flow of foreign resources in a day of major financial uneasiness.

In light of the index's sharp fall of more than 4.6 percent in one day and in light of the fact the dollar was traded at 6.50 pesos in the informal market, foreign investors voiced their discouragement over the lack of "an extended period of political, economic, and financial stability" that would allow Mexico to overcome the strong recession it is facing. "This is what has to happen when a party that has remained in power for so long is destroyed," an Oppenheimer Securities expert assessed.

Specialists from Lehman Brothers, Santander, and Mexican brokerage houses explained that, behind the financial swings experienced on 27 September, there lies a sense of mistrust, especially from Mexicans themselves.

There were many conclusions. Luis Tomas Ivandle, Bank of Nova Scotia representative, maintained that foreigners trust the macroeconomic evolution of Mexico, even though "there is concern about the families' state of health." He said that we need to grow in the short run and that, to do so, we will need an exchange adjustment. He regretted the wave of rumors adversely affecting the economy, but commended the access Mexico has had to markets, as well as the covering of Tesobonos [Treasury Bonds].

Santander specialist Juan Carlos Garcia stressed that Mexico's speculative wave is also the result of the uneasiness existing in Latin America, adding that political risks are always present at times of making investments. However, he blamed the 27 September securities market swings on the fall of the Dow Jones Industrial index, the uneasiness on Latin American markets, and, to a lesser extent, Mexico's internal uncertainty. He flatly rejected that there is panic among foreign investors.

As brokers commented on the market session, they explained that, in the first session hours of 27 September, it seemed that the increase in prime rates would include exchange speculation. In fact, "during the first two hours of session, the secondary market rates were below prime rates for government securities."

However, that was not the case. At opening time, the prime rate increase was incapable of subduing the speculative wave. The 48-hour peso-dollar parity closed at 6.4537, which will result in an increase in assets in dollars of companies, banks, and the government, because they will record a 2.85 percent exchange loss at the end of the third quarter.

According to financial sources, "no one expected speculation to be stopped; however, after the clear message Banxico sent, the markets' main players agreed to keep the parity at 6.40 and under."

At 10:30, the exchange market experienced an upswing resulting from certain treasury operations carried out by corporations and banks, in addition to a foreign bank, which led to a shortage of money and dollars. "Banxico did not release a single penny and left the participants of the money and exchange markets on their own," the sources affirmed.

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This upswing, analysts remarked, prompted people to take positions and made the secondary funding rates of government securities surpass the primary rates, thus reversing the morning's behavior. By 1400 hours, Lawrence Summers' statements, the intervention in the National Financial Bank, and the Dow Jones index's rebound were able to stop the fall in the stock-exchange meter.

The treasury under secretary said that "the U.S. Government is pleased with Mexico's achievements in cleansing its finances and containing the Mexican crisis's spread to other markets," Chemical Bank analysts reported while affirming that "the statements had the effect of stopping the excess sale of Mexican securities from New York."

"As soon as the information was known through those agencies servicing financial markets, the buyers of Mexican ADR's reversed sale trends. This was felt in Mexico by 1400 hours, when the pull in the stock-exchange price index moved up by approximately 50 points," they stated.

Awaiting the decision the Confederation of Mexican Workers will make on 28 September regarding support for the Pact on Well-Being, Stability, and Growth (Pabec), market operators regarded yesterday's session "as one the year's most speculative and volatile sessions, lacking economic foundations." It was prompted by the snatching of dollars that took place around 1100 hours by the treasuries of banks and major companies to cover their short-term liabilities and to be able to "pose for a picture."

Reactions in Congress

"The wags of the tail of the PRI's [Institutional Revolutionary Party] Jurassic Park" are the reasons for the securities market collapse and the exchange instability, the PAN [National Action Party] maintained, while the PRD [Party of the Democratic Revolution] said these matters are the result of the "government's indecision" and its "stubborn insistence" on refusing to change the neoliberal model. Meanwhile, the PRI assessed that the uncertainty we are experiencing is strongly "beating" confidence.

Roundup of Mexican Economic Developments

PA0310002595

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 2 October.

It was announced last week that Mexico's unemployment rate has surpassed 7 percent, which means that recovery will be slow. The Mexican Social Security Institute has disclosed that 1,226 members were registered in August, which means that for the first time in 1995 new people were employed. Figures released by the National Institute of Statistics, Geography, and Information Science, INEGI, however, indicate that in July alone almost 250,000 jobs were lost, which means that 245,000 became unemployed. It was also announced last week that inflation increased during the first 15 days of September. According to the Central Bank, prices increased by 1.25 percent during the first half of September, which was quite close to the 1.66 percent reported throughout the entire month of August. In annual terms, prices in Mexico are currently seven times higher than they were in 1994. Up to August 1994, prices in Mexico had undergone an annual increase of only 6.70 percent, but this year they have increased by over 41 percent. Meanwhile, the people's buying power has declined because salaries have not increased at the same rate as prices. (Mexico City XEW Television Network in Spanish 0430 GMT 26 Sep 95)

The EU currently has almost 100 investment projects under way in Mexico in the areas of agroindustry, auto parts, construction, and plastics. At the seminar The EU and its Instruments of Cooperation with Mexico, EU Ambassador to Mexico Jacques Lecomte announced that despite the country's economic situation Europe's investments have not declined, and that it is expected that last year's $10 billion in investments will be equaled this year. Lecomte also announced that by year's end the first nationwide center of communications and trade exchange between Mexico and Europe will be established in Monterrey. Also in Monterrey, the National Foreign Trade Bank of Mexico, Bancomext, will contribute over $500 million for the reorganization of local exporting companies' liabilities. Antonio Ortiz Cobos, director of the development banks' northern area, said that 30 percent of the funds will benefit that region. (Mexico City EL FINANCIERO in Spanish 27 Sep 95 p 18)

The Bank of Mexico's international reserves decreased by $22 million between 15 and 22 September to the current figure of $15.118 billion. According to the Bank of Mexico, this decrease is the result of an imbalance between the country's foreign currency income and its expenditures. During the period in question, the country collected $189 million but its expenditures amounted to $211 million. (Mexico City LA JORNADA in Spanish 27 Sep 95 p 51)

At the end of 1994, the assets of the National Bank of Public Works and Services, Corp., Banobras, had increased by 57 percent in comparison to the previous year, amounting to 42.998 billion new pesos. This increase was prompted by the revaluation of loans in for-

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eign currency and the dollar exchange rate, especially during the month of December, when more loans were made. According to the report, although in 1994 there were several cycles of financial uncertainty as well as a presidential election, "Banobras took advantage of its financial strength and its considerable modernization in key areas to promote loans throughout the breadth and length of the country, using strategic criteria that allowed it to achieve high levels of efficiency and productivity." (Mexico City EL FINANCIERO in Spanish 18 Sep 95 p 8)

According to a Mexico City, 28 September datelined item, Mexican Petroleum, Pemex, has announced that between January and August 1995 its turbine engine fuel exports increased by 47.8 percent in comparison to 1994's exports. Pemex disclosed that its sales abroad increased to 21,200 barrels daily, up from 14,275 barrels per day in 1994. With regard to local sales, Pemex pointed out that they averaged 45,500 barrels daily, 5 percent less than during the same period in 1994. (Mexico City NOTIMEX in Spanish 2329 GMT 28 Sep 95 p 54)

Jean Prevost, a commercial adviser at the Canadian Embassy in Mexico, has disclosed that during the first half of 1995 Mexico's trade exchange with Canada increased by 18 percent, and that Canada has thereby displaced the United Kingdom from its position as Mexico's third leading food supplier. Prevost said that during this period Mexico exported merchandise worth 2.7 billion Canadian dollars while during the same period in 1994 its exports amounted to 4.5 billion Canadian dollars. Meanwhile, during these first six months Canada has sold a little over 550 million Canadian dollars in merchandise to Mexico, a decrease from the 1 billion Canadian dollars sold last year. He commented that due to Mexico's economic situation and its high interest rates, various commercial projects in the areas of auto parts, telecommunications, oil, computers and others have come to a halt. Businessmen, he said, are waiting for the economy to stabilize to see whether or not it is worth their while to invest. (Mexico City LA JORNADA in Spanish 28 Sep 95 p 54)

The INEGI reports that employment in the manufacturing industry dropped by 6.9 percent between January and July 1995 compared with the same period of 1994. INEGI also announced that real salaries decreased by 8.5 percent compared to the first seven months of 1994. Also, the number of man-hours worked registered an 8.9 percent drop. Without exception, the nine divisions of the manufacturing branch have registered personnel layoffs. Personnel dismissals during the first seven months of the year affected 14.3 percent of personnel employed over the same lapse of 1994. (Mexico City LA JORNADA in Spanish 28 Sep 95 p 57)

Energy Secretary Ignacio Pichardo Pagaza said at the anniversary of the nationalization of the electricity industry that the key to attract private investments in the energy sector is long-term contracts for the supply of fuel and the purchase of electricity. He said the electricity sector has increased its generating capacity more than tenfold since 1960. He added his secretariat will provide investors all the necessary guarantees and incentives to generate electricity. Federal Electricity Commission (CFE) Director Rogelio Gasca Neri said one of the CFE's objectives is to have public investment complement private investments. To this end, he said, plans are being outlined for a profound structural change in the electricity sector so as to promote public investment in the transmission and distribution of electric power. (Mexico City EL FINANCIERO in Spanish 28 Sep 95 p 10)

A press bulletin of the Action Plan to Strengthen the Agreement of Unity to Overcome the Economic Emergency reported that more than 91 percent of the Tesobonos [Treasury Bonds] balance registered in December 1994 will have been paid for on 28 September when $250 million held by investors will be redeemed. With this operation, $26.6396 billion will have been liquidated and $2.5663 billion more in Tesobonos still needs to be covered. (Mexico City REFORMA in Spanish 28 Sep 95 p 14A)

"According to data from the National Banking and Securities Commission, CNBV, the national development banks registered 13.903 billion new pesos in overdue credits in June 1995. This represents a 111.1 percent increase compared to the same period in 1994. This amount represents 4.4 percent of the total credits allocated by what are known as the government banks." The National Finance Bank, Inc., NAFIN, reported that in this period, its overdue credits registered a 593.6 percent increase; the National Bank of Domestic Trade of Mexico reported a 229.9 increase; and the National Bank of Public Works and Services, Corp., BANOBRAS, registered a 129.6 percent increase. (Mexico City REFORMA in Spanish 28 Sep 95 p 16A)

Credit for foreign trade has not been spared the national financial restrictions and "in the first half of the year, it experienced a 43 percent annual drop, reaching $4.038 billion." The shortage of resources for foreign trade has affected the indirect exporters who last year had received funds from the National Foreign Trade Bank of Mexico, Bancomext. Financing for indirect exporters went from $2.288 billion in the first six months of 1994 to $524 million in the same period in 1995, a 77 percent

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reduction. This shows the decline of the program of support for producers of raw materials and components that are used for merchandise to be exported. As a result of the crisis, the credits programmed by Bancomext will amount to $10.950 billion at the close of the year, a figure that is 23 percent less than the amount registered in 1994. (Mexico City EL FINANCIERO (ANALISIS Supplement) in Spanish 29 Sep 95 p 3A)

"The CNBV reported that as of 27 September and based on the Agreement for Immediate Support to Bank Debtors, ADE, 54,036 business loans have been redocumented [redocumentado]." This represents 17.43 percent of the goal of redocumenting 310,000 business loans by the end of the ADE on 31 January 1996. As for mortgage financing, 71,131 of the goal of 220,000 credits have been redocumented in Investment Units. Credit cards are the sector that reports the greatest progress in the restructuring, with 812,676 cards redocumented out of a total of 1.3 million. In this way and with the addition of the consumer and personal credit sector, 975,844 credits have been renegotiated, representing 46 percent of the program. (Mexico City REFORMA in Spanish 29 Sep 95 p 19A)

Commerce and Industrial Development Minister Herminio Blanco has reported that in the first half of 1995, the government has provided 5 billion new pesos to subsidize consumer products. He said the government had planned to provide 3 billion new pesos in this period but increased the amount, showing it is aware of the "importance of maintaining subsidies for such consumer products as tortillas and bread and electrical service." (Mexico City REFORMA in Spanish 29 Sep 95 p 25A)

A report dateline in Mexico City on 29 September indicates that according to Everardo Souza Landa, director of the Veracruz Aluminum plant, the deficit in aluminum production in Mexico has led to the import of approximately 70,000 tonnes a year. He added that at this time, the country only produces between 50 and 60 percent of the aluminum it needs so this sector must be strengthened to achieve self-sufficiency. (Mexico City NOTIMEX in Spanish 0033 GMT 30 Sep 95)

According to a Mexico City-datelined report on 29 September, the Bank of Mexico, Banxico, stated that "it will maintain its monetary policy and indicated it is foreseen there will be an increase in the institution's internal credit to the maximum established limit equivalent to $1.5 billion." This is stated in the report on monetary policy in the first half of 1995 which the bank sent to the Federal Executive and Congress. The bank indicated that the "increase in its internal credit will be originated by the greater seasonal demand for bills and coins which is traditionally observed in the last quarter of the year." It clarified that the expansion of net internal credit will be strictly limited to satisfy the larger demand and "in no way should this expected expansion be interpreted as an easing of the monetary policy." It warned that an easing of the monetary policy at this time would provoke in the short-term, "capital flight, depreciation of the exchange rate, increase of inflationary pressures, and rise of interest rates." (Mexico City NOTIMEX in Spanish 0312 GMT 30 Sep 95)

Garcia Abrego Brother Recaptured

95WB0057A Mexico City REFORMA in Spanish 24 Sep 95

[Received via Internet]

[FBIS Translated Text] After the magistrate of the First Unified Court with its seat in Toluca had ordered his release, Humberto Garcia Abrego, brother of the Gulf cartel chief, was recaptured by the Federal Judicial Police, accused of further "money laundering" activities.

When released from the maximum security prison at Almoloya de Juarez, Garcia Abrego was arrested and taken to the PGR [Office of the Attorney General of the Republic] local headquarters in Toluca.

The action was taken in compliance with an arrest warrant issued by the second district judge of criminal proceedings of the Federal District. Hence, the presumed drug trafficker was transferred to the Northern Prison in Mexico City.

In a communique, the PGR explained that the judge's order originated in the investigations conducted since the expansion of the petition from the Finance Secretariat, which requested a probe of Garcia Abrego's activities, presumed to be illegal.

The PGR indicated that the action of the Federal Public Prosecutor's Office was based on the results of the probe conducted by the Federal Judicial Police as part of preliminary investigation number 270/MP-INCD [Public Prosecutor's Office-National Institute To Combat Drugs]/95, and was intended to request Garcia Abrego's recapture.

The Finance Secretariat had requested that the PGR conduct the investigation, through official memorandum 529/V/33385, in order to prove Garcia Abrego's illicit activities.

In its probes, the PGR established that Garcia Abrego had used various persons to engage in purchase and sale transactions involving numerous real properties, with money presumed to be the proceeds from illicit activities.

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The communique states, specifically, that the purchase and administration of those assets were financed with income originating in the drug trade, thereby attempting to conceal or disguise their true origin.

According to the PGR, the evidence which, for its logical and legal connection, is covered in Articles 280, 286, 288, and 290 of the Federal Code of Criminal Procedures, was considered solid and sufficient.

Teresa Jardi, ex-PGR representative in Chihuahua, and human rights defender, for her part, commented yesterday that García Abrego's release proves that Mexico has remained in the hands of the drug traffic since the time that the government negotiated with the kingpins and investigations were not completed.

In an interview, she remarked: "We are left in the hands of the drug traffic, and that is extremely serious. It is leading us to national disaster; it is an abyss, with no end in sight."

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El Salvador

President, Authorities Deny DEA Office Set Up in Country

PA0310034695 San Salvador Teleprensa Television in Spanish 1830 GMT 2 Oct 95

[Report by Alejando Miranda from the "Teleprensa" newscast — passages within quotation marks recorded]

[FBIS Translated Text] It was reported on 28 September that the DEA has set up an office in our country, but President Armando Calderon Sol and the authorities in charge of public security have said there is no such office. They have said this is a technical office under the control of the Executive Antinarcotics Unit [DAN], an office that will have equipment donated by the United States and help control drug trafficking.

The Catholic Church believes if this office is to remain on a permanent basis, any direct DEA involvement in any endeavor under the responsibility of our authorities would endanger our sovereignty.

It was reported last week that a DEA office has been officially installed in the DAN office. The DEA would be responsible for providing information about drug trafficking at the national and international level, but President Armando Calderon Sol has said there is no such office:

[Calderon Sol] "There is no such DEA office; that is just a fantasy of some person, and it was reported without confirmation. The government has denied the report, and the U.S. Embassy in El Salvador has clarified the information. There are people who want to create news by inventing rumors, but truth always prevails, and the issue has been cleared."

Public Security Minister Hugo Barrera has said this office is one that has equipment provided by the United States and that the equipment is in the hands of DAN:

[Barrera] "Yesterday was the dedication of an office with equipment provided to us by the U.S. Government so that our DAN may work more effectively to control drug trafficking. I want to state that no DEA office has been opened in El Salvador; this is completely false. I do not know who gave you that information. What we have done is to receive sufficient and adequate equipment to improve our capabilities to secure sound information and to operate diligently."

It is most important that international institutions cooperate in the struggle against drug-trafficking, but this point, according to Hugo Barrera, does not mean specialized offices such as the DEA have to be installed in the country:

[Barrera] "We need resources from all the institutions of the world that are struggling like us against drug-trafficking, whether these institutions are called DEA or something else. We need to make consultations and to receive support and so do they, but this has nothing to do with the permanent installations of any office from any other country in El Salvador."

Deputy Public Security Minister Alberto Carranza has said the report was just a misunderstanding because the DEA has been functioning since 1991 in the U.S. Embassy in our country, from where it has been providing technical advice, particularly on matters dealing with drug trafficking:

[Carranza] "The DEA has been here for a while. All the embassies in all parts of the world have all sorts of offices, in this case a DEA office. There are CIA offices also. This is true in all parts of the world where there is a U.S. Embassy.

[Unidentified reporter] "What was installed on 28 September?

[Carranza] "Nothing has been installed. Perhaps more serious attention is being paid to DEA coordination throughout the world. In this regard, they are giving importance to Central America, not only to El Salvador."

Carranza has said computer equipment was received to facilitate DAN's work.

[Carranza] "To be exact, this is computer equipment linking us with the United States and other continents.

[Reporter] "Specifically what kind of equipment and how much of it?

[Carranza] "Computers and some elements that will allow us to receive immediate information about what is happening around the world."

Regarding charges by the Farabundo Marti National Liberation Front [FMLN] that meddling by this U.S. agency would violate national sovereignty, the vice minister has said this is just talk:

[Carranza] "Let them stop talking rubbish about something they, especially they, know nothing about. There are DEA agents here and everywhere else in the world. They are not in this office, and they are not operating, and the FMLN knows this perfectly well. I do not know what is wrong with them."

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Minister on Procedures for Implementation of Copyright Law

PA3009191395 San Salvador LA PRENSA GRAFICA in Spanish 26 Sep 95 p A-15

[Report by Roberto Aviles]

[FBIS Translated Text] Special procedures for the implementation of the Intellectual Property and Copyright Protection Law will be created so as to buttress this measure, Justice Minister Ruben Mejia Pena said yesterday. These procedures seek to complement the law that was drafted in 1993 and began to be implemented in 1994.

The United States and the EU have made "strong" statements against El Salvador, which they regard as one of the countries with the highest rates of piracy.

The United States, through its trade representative, Mickey Kantor, gave our country a three-month deadline to demonstrate how the law has been implemented, and the General Preference System would be expanded or eliminated based on that.

Rolando Alvarenga, deputy commerce and industry minister, has told LA PRENSA GRAFICA (21 August edition) that the biggest problem in implementing the law could be found in the courts because of the slowness with which these cases were handled. "It would be better to have specific regulation on procedures to follow in implementing the law," he reiterated.

Mejia Pena, in turn, said "the existing law lacks provisions on proceedings, and experience has allowed us to see certain inconsistencies." The new procedures to implement the law could be ready at the end of this year. The purpose is to fill a legal void in this law.

Finance Minister Presents 1996 Budget

PA0210183095 San Salvador TCS Television Network in Spanish 1200 GMT 27 Sep 95

[Report by Carlos Menjibar; from the "TCS News" newscast]

[FBIS Translated Text] Finance Minister Manuel Enrique Hinds presented to the Legislative Assembly the draft budget for next year.

The Finance Ministry presented a draft budget for 1996 for 14.8151 billion colones, most of which has been earmarked for social development.

[Begin Hinds recording] Social development expenses are the section that received the biggest share in the 1966 budget. Of the total of 3.062 billion colones budget increase, social development receives 1.5586 billion, or approximately 50 percent of the increase. This includes education, which has received the biggest budget increase. Public health, labor and social welfare, housing and urban development, general community development, and several other programs that deal with local social development are also included. [end recording]

According to Hinds, the Salvadoran Government's priority is to support social development. According to an agreement signed in the presidents' summit, the percent allocated to this area should be 50 percent in 1996.

[Begin Hinds recording] The percent last year was 27, and it now stands at 31.9. The increase is virtually 5 percent. If you consider this 5 percent in 1997, 1998, and 1999, it will result in about 45 or 47 percent. In addition, half or a little more than half will go to social development. Once we include the education loan, the percent will go even higher. [end recording]

The breakdown of the general budget per area of activity for 1996 is as follows: Justice and security, 16.3 percent; administrative management, 6.5 percent; public debt, 18.0 percent; general obligations, 7.7 percent; economic development, 13.6 percent; social development, 31.9 percent, and national defense, 6.0 percent.

Guatemala

Foreign Minister Comments on French Nuclear Tests

PA0310003895 Guatemala City Televisiete Television in Spanish 1900 GMT 2 Oct 95

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Guatemalan Foreign Minister Alejandro Maldonado Aguirre has referred to the nuclear tests France is conducting in the Pacific Ocean:

[Begin Maldonado recording] Guatemala has had a clear position and has condemned nuclear tests. First, we have adhered to the declaration of the countries that have signed the Tlaltelolco Treaty. Second, the president of the Republic has sent a personal note to President Chirac emphasizing the necessary points. Third, the Guatemalan foreign minister has announced our official position at the UN General Assembly. We are going to sign with the countries who signed the Tlaltelolco and (Farotonga) treaties, however, a declaration in which we ask the United Nations to voice a position to this effect. Therefore, Guatemala has a conscientious and continuous position, and this must also be the position of the entire international community. Thus, please be advised that this issue is not strictly within bilateral relations but, rather, multilateral relations, because this

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issue concerns all of the international community. [end recording]

Defense Minister: Army Constantly Purged Ranks

PA3009161395 Guatemala City PRENSA LIBRE in Spanish 25 Sep 95 p 6

[FBIS Translated Text] Defense Minister General Mario Rene Enriquez Morales has said that the Army has constantly purged its ranks and that several officials have been discharged for various offenses and crimes, and some have been remanded to military courts for that reason.

I do not have a total figure or names in mind, but several officers and enlisted men have been discharged for various reasons. One of them was a junior lieutenant who was sentenced to 10 years in prison.

We are not interested in hiding criminal actions, as is proven by the discharges and prosecution of servicemen and civilian Army employees who have transgressed the law, he has said.

General Sergio Camargo, commander of Military Zone 15-17 stationed in Quetzaltenango, has said that the actions by the armed units of the Guatemalan National Revolutionary Unity (URNG) in the country's western region have dwindled and that the rebels now carry out only sporadic attacks to assert their presence.

The URNG actions went from regular to sporadic, and they appear only in isolated regions of little importance, because we cannot be in every point of the country, the military commander has said.

To give the impression they are in several places, they have divided their forces, meaning they go through a town in cells of 15-20 individuals, as it happened in EL Quetzal, and do not stay there long. They merely go through the town and give the impression they are a big group, he has said.

Official Register Shows 3.7 Million Eligible To Vote

PA0110042195 Guatemala City LA REPUBLICA in Spanish 26 Sep 95 p 6

[Report by Ramon Hernandez; all figures as published]

[FBIS Translated Text] A total of 3,711,589 Guatemalans are eligible to vote, according to the electoral register that will be used in the general elections to be held on 12 November, Leonel Escobar Munoz, head of the department of Citizens' Register (RC), has officially announced.

Since there are 3,711,789 registered voters, a total of 6,348 electoral booths will be distributed in 330 municipalities nationwide, explained Escobar Munoz.

Of the 3.7 million registered voters, a total of 1,518,048 are literate males, while 990,486 are literate females, which adds up to 2,308,914 literate registered voters.

Of the total, 682,126 are illiterate males and 519,647 illiterate females. In addition, the electoral register includes 908 people in special situations and 18 Guatemalans living abroad.

Leonel Munoz Escobar, head of the department of the Citizens' Register and Drafting of Electoral Registers, stated that his office is pleased with the total number of people who have registered to vote since it has surpassed the projected goals.

"I believe the call made by the Supreme Electoral Tribunal (TSE) helped, as well as the civic campaign that was personally led by the Nobel-prize laureate Rigoberta Menchu Tum through the foundation of the same name," Munoz Escobar said.

He explained that compared to the electoral register used in the legislative elections, "there was a substantial increase in the number of Guatemalans who want to participate in the 12 November electoral process."

He stressed that it was significant that 1,056,938 of the total registered voters range between the ages of 18 and 30, which means that young people "will be a much sought-after electorate in these elections."

In addition, he indicated that registered voters whose ages range between 30 and 50 years amount to 1,759,994, whereas registered voters whose ages range between 50 and 70 years amount to 728,573. Registered voters over 70 amount to 165,176.

He explained that only 59 days away from the 12 November elections and after the electoral register has become official, the 19 presidential hopefuls will focus their attention on the young population, because it is very significant that more than 1 million young people — many of whom are first-time voters — are ready to go to the polls to elect their respective authorities.

According to an analysis of the electoral register, 27.13 percent of the voters are concentrated in the Department of Guatemala, whereas only a total of 697,188 voters, that is 18.78 percent, live in the capital.

The Department of El Progreso has the fewest registered voters with only 52,972, which amounts to 7.6 percent. Quetzaltenango, Huehuetenango, and San Marcos are among departments with the largest numbers of registered voters.

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Panama

Government: Approval of U.S. Ambassador 'Good News'

PA0210180095 Panama City LA PRENSA in Spanish 1 Oct 95 p 1A

[Report by Betty Brannan Jaen and Vilma E. Figueroa B.]

[FBIS Translated Excerpt] Washington, D.C. — On the evening of 29 September, the U.S. Senate confirmed former Democratic Congressman William J. Hughes as the new U.S. ambassador to Panama. [passage omitted]

Meanwhile, Foreign Relations Ministry spokesman Eric Rodriguez Auerbach confirmed that the Panamanian Government has granted approval to William Hughes, the recently appointed new ambassador to Panama. "It is good news that the appointment was made, and the Foreign Ministry will work closely with the new ambassador," the official spokesman added.

In the meantime, Oyden Ortega, the legislative branch's Foreign Relations Commission president, assessed that the ambassador's appointment is a key factor for what will be the Panama Canal transition.

He pointed out that there currently are commissions from the two governments analyzing the issue of transition and that, thanks to this appointment, there will be better coordination between the two governments, adding that, without an ambassador, there are not full relations.

The legislator stressed that, as soon as the ambassador arrives, he will proceed to submit his credentials to both the Panamanian president and the foreign minister, because this is what the Constitution stipulates.

Ortega also said that, thanks to the ambassador's arrival, there will be more technical and financial cooperation between Panama and the United States and better coordination on such pending issues as the implementation of the Mutual Legal Assistance Treaty.

Opposition Legislator Questions Ownership of Reverted Areas

PA0310032495

[FBIS Editorial Report] The following is a compilation of reports published recently in the local media regarding the ownership of reverted areas in the former Canal Zone.

Panama City LA PRENSA in Spanish on 29 September on page 1A carries a 550-word report on a statement made by Authentic Liberal Party Legislator Alberto Cigarruista. The report says that on 28 September, Cigarruista presented Foreign Minister Gabriel Lewis Galindo "five documents issued by the Public Registry dated 27 July and 5 September 1995, according to which various reverted properties belong to private citizens." The report adds that "the properties are located in Ancon, Quarry Heights, Santa Cruz, Coco Solo and Chagres River." According to LA PRENSA, "Cigarruista said that the people claiming Coco Solo contacted the Taiwanese firm Evergreen to warn them that in case they install offices in Coco Solo they will be sued for invading private property." The report adds that "the Panamanian Government is preparing a contract with Evergreen, which has promised President Ernesto Perez Balladares an investment of $120 million for a port in Coco Solo." Cigarruista, the report said, "wondered how the government can sign a contract over properties that are privately owned." Further on, the report said that Adolfo Ahumada, legal adviser for the Foreign Ministry replied to Cigarruista saying "the properties being claimed by various firms and citizens at the Public Registry are in fact public property, in other words state-owned land."

Panama City EL SIGLO in Spanish on 30 September on page 35 carries a 350-word report on comments made by Nicolas Ardito Barletta, administrator of the Interoceanic Region Authority (ARI) denying allegations made by opposition legislator Alberto Cigarruista who said that "private citizens owned some properties in the reverted areas." According to EL SIGLO, Ardito Barletta stressed that "Law 17 of 29 August 1979 declared public property all areas reverted to Panama as a result of the 1977 Torrijos-Carter treaties." The report also noted that Ardito Barletta added that "after investigations carried out by the ARI it was confirmed that none of the properties mentioned by Cigarruista have been excluded from the status of public property by law."

Panama City EL PANAMA AMERICA in Spanish on 1 October on page B7 carries a 500-word report on legal procedures presented by land owners demanding indemnification for reverted properties in the canal area. The report says that lawyer Candelario Santana said that the Emiliani family has filed a suit against the Panamanian State for $140 million. The report adds that according to Santana, "the Emiliani family has a 1800-dated title deed for properties in Coco Solo, Colon Province, where the firm Evergreen plans to build a port for containers." The report also notes that "according to documents issued by the Public Registry 2,300 hectares near the Chagres River belong to Angelica Saturnina and Josefina Giron." Meanwhile, the report says "the Universal Company of the Panama Canal and the National Mortgage Bank emerged as owners of properties in the Santa Ana community and the

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area near the Presidential Palace." The report concludes citing legislator and former President Gerardo Gonzalez who "challenged the legitimacy of documents presented by opposition legislator Cigarruista" and "requested a formal investigation."

Opposition Questions President's Trip to Colombia

PA0110130395 Panama City Circuito RPC Television in Spanish 2300 GMT 28 Sep 95

[Report by Alexandra Ciniglio from the "RPC Television News" newscast]

[FBIS Translated Text] President Ernesto Perez Balladares' trip to Colombia on 27 September has triggered several reactions. Some people insist that Panama's international image has been harmed. Perez Balladares' associates, however, think otherwise.

The opposition questioned Perez Balladares' unexpected trip. Some feel that to talk about drug trafficking with Colombian President Ernesto Samper, who is surrounded by accusations, leaves Panama in a most undesirable position. Government and Justice Minister Raul Montenegro disagrees.

[Begin Montenegro recording] As a member of several commissions, I have met with Colombian authorities on several occasions. Day after day, we have become more and more demanding on the need for bilateral cooperation in drug trafficking control. [end recording]

He says the trip has been unjustly criticized but that, as a government official, he terms the trip as positive and that an effort should be made to not take into account Colombia's situation. Attorney General Jose Antonio Sossa has his own ideas, too.

[Begin Sossa recording] It is up to Colombian authorities to determine the responsibility of people held as drug traffickers. The truth is that Colombia is a friendly country that has suffered very much, not only because of drug trafficking but because of an internal struggle that has lasted more than a century. [end recording]

Former AU President Calls For Trade With Cuba

PA3009003595 Panama City EL PANAMA AMERICA in Spanish 29 Sep 95 p A-4

[Report by Aquilino Ortega]

[FBIS Translated Text] Wellington Fung, former president of the Association of Colon Free Zone Users (AU) stated yesterday that regardless of the fact that the U.S. Chamber of Representatives approved by majority vote a bill strengthening the commercial embargo against Cuba, Panamanian businessmen should trade with the island.

According to Fung, every state is sovereign enough to promote laws that will allow its businessmen to carry out commercial transactions within acceptable levels allowed by ethics and commercial laws.

"The position adopted by the U.S. Chamber of Representatives is strictly political and should not extend to any sovereign state," Fung stressed.

He highlighted that as long as Panamanian laws allow the establishment of commercial relations with Cuba, Panamanian businessmen should trade with the island.

The toughening of the commercial embargo against Cuba is intended toward curtailing foreign investments in the island claiming that they only serve to consolidate Fidel Castro's political stability.

The U.S. initiative threatens to apply possible penalties against all foreign firms that decide to trade with the Cuban Government.

Said measure, which is still to be debated by the Senate, was approved by 294 votes in favor and 130 against, more than two-thirds of the votes necessary to revoke a possible veto of the project by U.S. President Bill Clinton.

According to Fung, if Panama fails to trade with Cuba then some other country will not hesitate to do so.

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Argentina

Menem Protests U.S. Official's Remarks on AMIA Inquiry

PY0210152495 Buenos Aires CLARIN in Spanish 1 Oct 95 p 2,3

[FBIS Translated Excerpt] These are President Carlos Menem's exact words: The government will formally protest a U.S. counterterrorism official's criticism of the Argentine justice system, intelligence services, and police for an alleged lack of progress in the investigation into the attack on the AMIA [Argentine-Israeli Mutual Association].

"Of course, I will instruct the Foreign Ministry to issue a formal protest if those remarks are correct. I would like to point out to the U. S. Government that if we apply the same standards we could criticize them for their lack of progress in the investigation of the Oklahoma bombing," Menem told a CLARIN reporter in South Korea.

Menem is on an official visit to Seoul. Yesterday he watched the soccer game marking Diego Armando Maradona's reappearance on the Boca Juniors team.

Menem's irate reaction was directed at Phil Wilcox, Department of State counterterrorism coordinator, for his remarks during a hearing at the House of Representatives on 28 October.

Menem said the Department of State official made disproportionately aggressive remarks during the hearing.

After participating in a luncheon with Korean entrepreneurs, Menem said: "I entirely reject and condemn those remarks. If I applied that man's (Wilcox) standards I could say the same thing about the Oklahoma bombing or about other very serious terrorist experiences in other areas of the world."

CLARIN's correspondent asked Menem about Ruben Beraja's allegations that the Foreign Ministry had approached the Iranian Government to request its mediation with the Lebanese pro-Iranian Hizballah Party, which is blamed for the attack on the AMIA, in exchange for dropping Argentina's accusations against Iran and for an increase in the two countries' bilateral exchange.

"There was absolutely no attempt to seek Iran's mediation. The government did not authorize anyone to carry this out," Menem added, after discussing the delicate issue with Foreign Ministry Secretary General Andres Cisneros.

The president did not hide his disgust when he said: "The only thing I know is that Ruben Beraja, who is a friend of mine, said in the United States that Argentina should break relations with Iran." [passage omitted]

Drug Enforcement Agreement With U.S. Renewed

PY0210180695 Buenos Aires TELAM in Spanish 1717 GMT 29 Sep 95

[FBIS Translated Text] Buenos Aires, 29 Sep (TELAM) — Armando Caro Figueroa, the current labor minister and acting foreign minister, and U.S. Ambassador to Argentina James Cheek today renewed a memorandum of understanding between Argentina and the United States on drug enforcement.

Caro Figueroa emphasized: "This agreement will permit the two governments to develop bilateral cooperation efforts."

He noted: "Argentina will reinforce its capacity in this extremely sensitive field of drug enforcement."

The memorandum of understanding was signed this morning at the Foreign Ministry in Buenos Aires.

Cheek noted: "The U.S. Government's contribution ($125,000) is significantly lower than that of past years due to the budget cuts implemented in my country."

Cheek pointed out: "Nevertheless, this reduced contribution does not involve a reduction in our commitment to fully cooperate with Argentina and other countries involved in fighting drug abuse and trafficking."

Alberto Lestelle, the programming secretary for the prevention of drug abuse and for the antinarcotics struggle, indicated: "We require international links to guarantee an exchange of information, intelligence, and joint operations to cope with this problem and its related crimes."

The memorandum of understanding between Argentina and the United States is renewed every year and is based on a cooperation agreement signed in 1989.

Cavallo, Bauza, Duhalde 'Hostilities,' 'Truce' Examined

PY2909180795 Buenos Aires CLARIN in Spanish 24 Sep 95 p 6

[Article by Nancy Pazos: "Truce or Cold War on the Domestic Front?"]

[FBIS Translated Text] They are keeping an alert and watchful eye on one another. Each word, each gesture, may have a double or even triple meaning. The warlords [Economy Minister] Domingo Cavallo, [Cabinet Chief] Eduardo Bauza, and [Buenos Aires Governor] Eduardo Duhalde suspended hostilities at a seaside town [Chapadmalal] a week ago. Still, this is too recent a truce, and it seems that it is difficult to learn how to coexist in times of peace.

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The Chapadmalal pact entailed — besides the symbolic photograph — the immediate fulfillment of two public goals, namely:

— to send signals of political support for the economic plan through Congress by "enacting" the laws Cavallo is requesting.

— to put an end to the "war of words," in which the media constitute the arena for wrangles between government officials.

Broken Promises

The first promise was broken on 20 September. Jorge Matzkin — PJ [Justicialist Party] bloc leader in the Chamber of Deputies — had assured government officials that the lower house would vote favorably on the bill amending the patents act previously enacted by Congress. To secure a favorable vote on the bill, however, Matzkin noted that, as "a sign of good will," the lower house required that the executive branch publish in the official gazette the original law, which was opposed by the U.S. Embassy and foreign laboratories, and almost made Cavallo tender his resignation.

After contacting the interested parties on various occasions, Bauza ordered the publication of the original law. Nevertheless, the deputies have not yet fulfilled their promise. Due to the lack of a quorum, the Chamber of Deputies did not convene, and the controversial patents law issue remains current.

Barely 24 hours later, Cavallo himself broke Chapadmalal's second commitment. Without anyone daring to say whether or not he followed orders issued from Olivos [presidential residence], [television commentator] Gerardo Sofovich openly indicated that the economy minister's days were numbered. Sofovich enigmatically said: "The second presidential term begins on 10 December."

Cavallo could not restrain his temper. On 22 September, Cavallo lashed out against Sofovich, Emilio Cardenas [Argentine ambassador to the United Nations] (a banker and an ambassador who allegedly is visiting the United States to explain the economy minister's alleged substitution, and who claimed to have secret orders from Menem), and Raul Granillo Ocampo, the Argentine ambassador in Washington, who said he had given U.S. journalists the names of four possible successors to Cavallo.

Menem neither supported nor denied the remarks made by his friend Sofovich. On that day, Menem preferred to stay away from the journalists and play golf.

This week, however, no one heard him utter a single complaint against Cavallo.

Nevertheless, there is a minister who is still confused over a presidential remark. A few days ago, Menem was talking about future steps and, all of a sudden, as if he were engaged in a conversation, he pondered aloud: "Nowadays, there are two presidential candidates for 1999: Duhalde and Cavallo."

The minister was not surprised about the names, which would be obvious for nearly any observer, but over the tranquillity with which Menem admitted, perhaps for the first time, the electoral capacity of his technical minister.

As things currently stand in the government, it seems that Bauza's and Cavallo's destinies are linked now more than ever. The cabinet chief's aides are advising him to return to the political arena after his strategic retreat, following the Menem-Cavallo crisis. They are not ruling out the possibility of the power balance, to which Menem has always been inclined, ultimately damaging them, if there is a substitution. Based on a historic analogy, a witty cabinet member described this truce as follows: "Could this be the Menemism's cold war?"

Di Tella: DAIA Chairman's Remarks 'Unfair, Inaccurate'

PY0210164595 Buenos Aires CLARIN in Spanish 1 Oct 95 p 3

[FBIS Translated Text] Foreign Minister Guido Di Tella has characterized the remarks of Ruben Beraja, DAIA [Delegation of Argentine-Israeli Associations] chairman, on an "appeasement policy" by the Argentine Government toward Iran in an attempt to prevent a third terrorist attack in the country, as "unfair and inaccurate."

"We will not allow terrorist criminal blackmail to condition our foreign policy," the minister said yesterday referring to Beraja's remarks in the U.S. Congress.

Di Tella said in New York that "there are no disagreements with the SIDE [Secretariat for State Intelligence], particularly on the AMIA [Argentine-Israeli Mutual Association] attack. There has been permanent cooperation and continuous exchange of information with this agency."

This answer has two parts:

— The first refers to the news — an exclusive article published by CLARIN yesterday — on an exchange of accusations between the Foreign Ministry and the SIDE for "being the brains behind" an alleged secret mission to Teheran.

— The second is directed at U.S. diplomats and legislators who questioned our investigation. Di Tella

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announced that he has started sending them "strong" letters to clarify the situation.

Law Partially Correcting Patents Law Summarized

PY0210191195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0016 GMT 29 Sep 95

[FBIS Translated Text] Buenos Aires 28 Set (NA) — The law correcting the patents law that the Chamber of Deputies approved this afternoon amends Articles 44, 50, 94, and 104 of Law 24481.

The details of what the old articles stipulated and how they were amended follows:

Article 44. National laboratories will start paying royalties to patent owners beginning on 1 Jan 2003. This is, a grace period of eight years.

Article 44 (as amended). Patents will not be issued to invented pharmaceutical products for a period of five years from the day this law is published in the Official Bulletin. The owner of a patent will have the right to receive a just and reasonable retribution from third parties using his invention from the day the concession is granted until the patent expires.

Article 50. This law creates the National Institute of Industrial Property. The board of directors will be made up of five members designated by the executive branch. Their functions will be supervised by a seven-member congressional commission.

Article 50 (as amended). The National Institute of Industrial Property [INPI] will be conducted and administered by a three-member board of directors designated by the executive branch. Two of the directors will be proposed by the Economy and Public Health and Social Action Ministries. The INPI will have a supervisory office, which will supervise and control INPI's acts and organs.

Article 94. The executive branch will be empowered, in cases of sanitary emergency or national security, to order the exploitation of certain patents.

Article 94 (as amended). INPI will be empowered, on its own or at the request of the appropriate authority, to establish limited exceptions to the rights granted by patents. Exceptions must not establish limitations to the exploitation of a patent without justification or harm the legitimate interests of a patent owner.

Article 104. (two paragraphs are added). a) Uses contemplated in Article 94 will take into account various dispositions. INPI will authorize those uses; b) The patent owner will be informed immediately after it is established that there is need of his product for a non-commercial public use, or when the government or a contractor without looking at a patent knows, or has enough demonstrable reasons to know, that a valid patent is or will be used by or for the government.

The law correcting the patents law also accepted the veto issued by the executive branch against Article 42 of the original bill, which established the obligation of invention owners to exploit and sell their products in the country.

First 'White Helmets' Mission Leaves for Haiti

PY0210175695 Buenos Aires TELAM in Spanish 2106 GMT 28 Sep 95

[Report by unidentified correspondent]

[FBIS Translated Excerpt] New York, 28 Sep (TELAM) — Octavio Frigerio, the Argentine White Helmets Mission director, announced today that the first delegation of Argentine White Helmets has left for Haiti to reorganize the poor distribution of humanitarian aid, which has been stalled by organization problems in Port-au-Prince.

Frigerio said the departure of this delegation "represents the fulfillment of a project endorsed by President Carlos Menem." He said: "This is no longer an Argentine project; the international community adopted it through a UN General Assembly resolution."

He said the Argentine delegation includes 12 people who "will attempt to resolve the problem of food distribution in Haiti."

Frigerio emphasized: "Warehousing and distribution problems cause the loss of one-quarter of the food donated by the international community, while people are still hungry."

He recently visited Haiti, met President Jean-Bertrand Aristide, and delivered 14,000 tonnes of maize for distribution among the population, a task that now will be coordinated by the White Helmets. [passage omitted]

Frigerio confirmed that over the next few months, White Helmet delegations will go to Bolivia, Jamaica, Angola, Equatorial Africa, and Palestine to carry out health and nourishment activities.

Bolivia

Government Announces 'State of Siege' To End 18 Oct

PY0210192395 La Paz TVB Television Network in Spanish 1700 GMT 2 Oct 95

[FBIS Translated Text] We close this newscast by informing you, citing the Fides News Agency, that the

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state of siege which was extended by the government two and one-half months ago will end on 18 October.

This information was supplied by government secretary Hugo San Martin, who noted that on 18 October the executive branch will implement a policy involving talks and agreements in order to overcome the social problems.

Brazil

Cardoso, Paraguay's Wasmosy Discuss Pipeline Project

PY0310013195 Sao Paulo AGENCIA ESTADO in Portuguese 0009 GMT 3 Oct 95

[FBIS Translated Text] Curitiba, 2 Oct (AE) — Paraguayan experts will visit Brasilia this week to discuss with members of the Brazilian economic team the chances for Paraguay to be included in the gas pipeline project that will extend from Bolivia to Brazil. Paraguayan President Juan Carlos Wamosy would also like Argentina to take part in discussions involving energy topics. Wasmosy, who came today to Curitiba at the invitation of Mayor Rafael Greca (Democratic Labor Party) to attend the World Habitat Day celebrations, took the occasion to discuss the gas pipeline project with Brazilian President Fernando Henrique Cardoso.

Wasmosy said he would also discuss with Cardoso the establishment of a free trade zone including Paraguay, Brazil, and Argentina. He said: "This is another step toward implementing trade regarding energy resources, which we should begin seriously considering at the regional level."

Roundup of Economic Reports Through 25 Sep

PY2809191395

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 25 September.

Basic Leading Indicators

The treasury had a surplus of 31 million reals, R, in August. The deficit from January to August totalled R1.320 billion, 32 percent less than the same period last year. The August revenue totalled R7.051 billion, R6.642 billion of which resulted from tax collection. Expenses totalled R7.020 billion; 20.2 percent of which represent resources transferred to the governments of states and counties. Resources allocated to domestic debt payments totalled R867 million, R841 million of which go to the public debt. (Sao Paulo AGENCIA ESTADO in Portuguese 1933 GMT 21 Sep 95)

Brazilian international reserves reached the historic level of $47.660 billion in August, up by $6 billion in July. The domestic debt in public certificates on the market increased by $10 billion. The volume increased from $82.233 billion in July to $92.300 billion in August. Last month, the government issued R7.512 billion in public certificates to counterbalance the large amount of dollars that entered the country and to counterbalance the money disbursed by the Central Bank because of the Economico Bank crisis. In August, $5.346 billion entered the country through the commercial dollar exchange market and nearly $1 billion by the fluctuating exchange market. During the same period, the Central Bank used R5.795 billion to purchase $6.2 billion worth of foreign reserves. The monetary base at the end of August was only up by R658 million on the start of the month. The Central Bank stated that R22.684 billion of the public debt refers to the state governments. (Rio de Janeiro O GLOBO in Portuguese 22 Sep 95 p 21)

Financial Operations

The ROK enterprise Hankook Neoprene do Brasil may be the first company to operate in an Export-Processing Zone, ZPE. Marcelo Bonghanhi, the Brazilian partner of the ROK enterprise, and Manoel Vitor Cavalcanti, president of the new Santa Catarina ZPE in Imbituba County, will present the project to the Industry and Commerce Ministry and the National Council of ZPEs. Bonghanhi and Cavalcanti believe Hankook will be functioning before the end of the year. Bonganhi wants governmental permission to sell 20 percent of everything that is produced at the ZPE on the domestic market. Hankook do Brasil, one of the five only such manufacturers in the world, will produce 50,000 sheets of neoprene per month. (Sao Paulo GAZETA MERCANTIL in Portuguese 19 Sep 95 p C2)

The first binational petrochemical enterprise in Brazil will result from the merger of the Petroflex Company, the Southern Petrochemical Company, and the Argentine company, Pisa. The new enterprise will invest $80 million and produce rubber and plastic. The company will be built at the Petrochemical Center of the South, in Triunfo, Rio Grande do Sul State. The construction work will last two years and the enterprise will sell its products to Brazil and to Common Market of the South, Mercosur, countries. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 20 Sep 95 Section 1 p 9)

Members of the National Association of Administration, Finances, and Accounting Executives, Anefac, with the exception of car-manufacturing enterprises, plan to invest more than $3 billion in the country from this second half of 1995 until the end of 1996. A poll conducted by Anefac shows the enterprises are

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optimistic about the future of the country and are programming investments in spite of doubts about the consolidation of the Real Plan. Anefac plans to obtain 41 percent of the $3 billion abroad. Most enterprises plan to invest in machinery and equipment (41 percent). Nevertheless, 26 percent of them will invest in improving the quality of industrial processes; 19 percent in technology; 8 percent in training and developing human resources; 4 percent in marketing and sales; and 2 percent in expanding their businesses. (Sao Paulo AGENCIA ESTADO in Portuguese 1852 GMT 21 Sep 95)

Joel Mendes Renno, president of the Brazilian Petroleum Corporation, Petrobras, informed Rio de Janeiro Governor Marcello Alencar, on 21 September, that his company will finance 30 percent of the nearly $400-million needed to construct the ethylene unit of the new Rio de Janeiro petrochemical center. The cost of the entire petrochemical center, which will be built next to the Duque de Caxias Refinery, is about $800 million. This center will supply gas and oil byproducts to more than 1,000 industries in the region. The center is expected to produce some $2.8 billion per year and create 20,000 jobs when it goes into full operation in 2000. (Sao Paulo AGENCIA ESTADO in Portuguese 2228 GMT 21 Sep 95)

Petrobras has signed a financing contract with the Japanese Nissho Iwai Corporation worth $100 million. The funds will be used to construct a new production unit at the Paulinia Refinery in Sao Paulo and will be allocated to Petrobras subsidiary Braspetro Oil Services Company, Brasoil. The loan will be repaid over five years, in 20 quarterly installments, with a six-month grace period. The new unit will transform Campos Bay heavy oil into light oil, with coke as a by-product. The unit will be in operation in 1997. (Sao Paulo AGENCIA ESTADO in Portuguese 2339 GMT 21 Sep 95)

Financial Operations

Pierre Poubel, director of the Renault investment project for Brazil, confirmed on 21 September that the company will invest $1 billion in Brazil before 1999. Before 1999, the company plans to manufacture 100,000 cars per year in Brazil. The site will be chosen for the factory before January 1996. (Sao Paulo AGENCIA ESTADO in Portuguese 0000 GMT 21 Sep 95)

Daihatsu wants to enter the Brazilian market and is negotiating with the Minas Gerais Government over the site for a factory. They plan to manufacture nearly 10,000 vehicles per year. Daihatsu do Brasil President Herbert Berger confirmed on 21 September that Cuore model cars may start being manufactured within 14 months. (Sao Paulo AGENCIA ESTADO in Portuguese 2220 GMT 21 Sep 95)

Fiscal, Monetary Issues

The high interest rate policy forced the government to pay 114 percent more (R867 million) in August in interests on the domestic debt than it did in August 1994 (R406 million). The government paid 32 percent more in August than in July, even though the 4.02 percent interest rate charged in July dropped to 3.84 percent in August. Between January and August, the government has already paid R8.432 billion on its debt. (Sao Paulo AGENCIA ESTADO in Portuguese 2236 GMT 21 Sep 95)

Privatization

Acting President Marco Maciel, on 19 September, signed a decree excluding Petrocoque from the government's privatization program. Petrocoque was excluded from the program last year. The reasons for Petrocoque's exclusion from the program were a lack of agreement with Petrobras over a consistent supply of pea coke, and little interest in purchasing the state-owned company. (Sao Paulo GAZETA MERCANTIL in Portuguese 20 Sep 95 p A9)

It was reported in Sao Paulo on 22 September, that the Brazilian Electric Power Company, Inc., Eletrobras — the national holding that administers the electricity-producing area — will hold a tender this year for the construction of seven new hydroelectric dams. The winners will become members of the network of Eletrobras concessionaires. The construction work requires an investment of $1 billion. The dams will generate 800 megawatts. Six other tenders are scheduled for 1996. These dams will produce 1,500 megawatts and require an investment of $2 billion. All these tenders are open to the private area. Brazilian as well as foreign companies may participate. The tenders will be chosen on the price at which they will sell energy to consumers. (Sao Paulo AGENCIA ESTADO in Portuguese 0051 GMT 22 Sep 95)

Trade Issues

The Nacional Bank has signed a protocol agreement with the French Banque Cortal, which is linked to the Paribas Bank, for the exchange of technology in the establishment in Brazil of a virtual bank — that is a bank without branch offices. A poll by the Nacional Bank indicates that 56 percent of interviewed check account holders do not visit their bank offices. The agreement may also allow Paribas to invest and work in the country. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 21 Sep 95 p B8)

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The Votorantim Group reported on 21 September that it has invested $12 million to become a partner of the Federal Railroad Network. Only $6 million of this will be initially disbursed in the partnership. The company also is investing $250 million in the construction of a new cement factory in Ribeirao Grande, Sao Paulo State, with capacity to produce 7,000 metric tons of cement per day, 2.5 million metric tons per year. Votorantin Group Superintendent Antonio Ermirio de Moraes said the partnership is important because it will allow the company to transport aluminum ore from Cataguases, Minas Gerais State, to Sao Paulo. Some $200,000 of the Votorantin money will be used to purchase railway equipment from Gevisa, in Campinas, Sao Paulo, to re-equip its trains. Votorantin is also providing 70,000 ties and has already repaired 12 railroad bridges. The new cement factory will have a revenue of $180 million per year and generate 1,500 new jobs. (Sao Paulo AGENCIA ESTADO in Portuguese 1948 GMT 21 Sep 95)

Duratex Company, of the Itau Group, is entering the Argentine market: the Deca Division of Duratex has created an enterprise that has the Argentine group, Piazza Ermanos, as its minority partner and will build a factory near Buenos Aires. Deca will invest $15 million in the new enterprise and plans to achieve 18 percent of the Argentine bathroom appliances market. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Sep 95 p B7)

Roundup of Economic Reports Through 29 Sep

PY0210145195

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 29 September.

Basic Leading Indicators

The Interunion Department for Statistics and Socioeconomic Studies and the State Data Analysis System released on 25 September the results of a recent poll they conducted on unemployment. According to this poll, Sao Paulo industries dismissed 93,000 employees in August, while stores and other economic areas dismissed 30,000 people. The poll indicated, however, that 92,000 new jobs have been created in the service industry. (Sao Paulo AGENCIA ESTADO in Portuguese 2310 GMT 25 Sep 95)

The IBGE has reported that the 1994 GDP totalled R355.6 billion and was 5.8 percent higher than in 1993. The average variation in prices totalled 2.295 percent and the per capita income stood at R2,313, having thus increased by 4.3 percent in real terms compared to 1993, although it was 1.1 percent lower than the 1980 level. The IBGE added that investments totalled 15 percent of the GDP, that the agriculture-livestock area increased by 8.1 percent, the industry in general grew 6.9 percent, the area of services 4.1 percent, the processing industries 7.7 percent, and the civil construction area 6.5 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 1406 GMT 27 Sep 95)

Financial Operations

The Bank of Brazil has decided to open a new insurance company with Brazilian partners and close the Brazilian-Iraqi Insurance Company (SBI) which was created 12 years ago by the Bank of Brazil, the Investment Bank, and the Iraqi Rafidain Bank. Initially, the idea was to increase the SBI capital from 10 million reals, R, to R60 million and to change the company's name. For some unknown reason, however, the Iraqi partners decided not to accept this idea. Therefore, it has been decided to close the SBI and open another company with Brazilian partners. SBI's profit this year already totalled R1.3 million and its administrative cost stood at 13 percent. (Sao Paulo GAZETA MERCANTIL in Portuguese 22-24 Sep 95 p B3)

The Brazilian domestic debt in public certificates has surpassed the foreign debt for the first time since the 1970's. According to figures released by the Central Bank on 21 September, the domestic debt surpasses the foreign debt by R5 billion. The Central Bank also reported that the government's domestic public debt increased from R82.233 billion in July to R92.3 billion in August, particularly because the government had to purchase dollars for its reserves. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 22 Sep 95 Section 1 p 4)

From July 1994 until now, the Brazilian financial system has been denied a $10-billion profit because the inflation rate dropped from 45 percent to less than 1 percent per month as a result of the implementation of the Real Plan. More than $7 billion of this would-be profit money would have increased the income of the 17 largest Brazilian banks, 8.6 percent of which are state banks and 4.7 percent private banks. The Brazilian Institute of Geography and Statistics, IBGE, has reported that the financial system represented, in 1990, 13.4 percent of the GDP, although during the 1970's it represented only 8 percent of the GDP. This shows that the financial system must now shrink to half of what it was in 1990. The IBGE also reported that the Bank of Brazil assets represent 37 percent of the 17 largest banks' assets, while the assets of the Sao Paulo State Bank, Banespa, represent 15 percent. Together, the assets of the two banks amount to more than half of the assets of the 17 largest Brazilian banks. The Brazilian Discount Bank

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comes third in this regard. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 24 Sep 95 Business & Finances Section p 1)

Portugal's Caixa Geral de Depositos, CGD, which is a sort of Portuguese Bank of Brazil, and the Itau Investimentos S.A., Itausa, have reached an agreement to regulate their relations as partners of the Itau Bank. In accordance with the agreement, the Portuguese Government transfers to CGD the 8 percent of the voting capital it had in the Itau Bank, while the Itausa now participates in the Itau Bank, directly or indirectly, with 70 percent of its common capital. The CGD has assets of more than $45 billion and a net asset of $2.7 billion, as well as 900 offices, of which 220 are abroad. The Itau Bank has an overall consolidated asset of $20 billion and a net capital of $3.1 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2249 GMT 25 Sep 95)

As a result of changes made in the text of the provisional measure that regulates social contributions made by financial institutions, beginning 27 September, Social Integration Program contributions, PIS, will no longer be charged on loans granted among banks through Interbank Deposit Certificates. The financial institutions will also have an automatic 40-percent discount in contributions they pay on their nonexempted operations. The government thus attempts to revert the current credibility crisis of the financial institutions. Since the Economico Bank crisis, the amount of interbank loans has decreased by 20 percent. Another modification to the provisional measure is that the Reference Fiscal Unit will no longer be used to figure out the payment of PIS on nonexempted banking operations. (Sao Paulo AGENCIA ESTADO in Portuguese 2254 GMT 26 Sep 95)

Treasury Secretary Murilo Portugal reported on 27 September that loans — of the Advanced Budget Re[illegible]ces (ARO) variety — which state governments have requested from the banks have doubled from January to August compared to the same period last year. The ARO loans have increased by R2.6 billion and "some governors are paying interest of as much as 10 percent per month on them," Portugal said. The treasury pays an overall interest of 1.9 percent per month on its certificates. Portugal told Congress that the governors have taken these loans largely to pay for salary increases granted by former governors in November and December 1994. "Some governors have granted 40 and 50 percent salary increases, but as the economy stabilized these increases became real. At the same time, the state governments lost the financial profit they made as a result of the inflation and could no longer use them to pay for these expenses," Portugal said. The governors conduct the ARO operations by borrowing money from state or private banks counting on future revenues to pay for the loans. The banks normally charge extremely high interests on this sort of operation and this forces the governors to renegotiate the loans for lack of funds to pay for them. Portugal made it clear that President Fernando Henrique Cardoso's plans to reduce the financial hardships of the state governments exclude the debts that have already been renegotiated. (Sao Paulo AGENCIA ESTADO in Portuguese 2246 GMT 27 Sep 95)

Fiscal, Monetary Issues

Brazil has paid the World Bank, in interests and on the principal of the debt, $1 billion more than it received from this bank in new loans from July 1994 and June 1995. Since 1988, the accumulated net transferences the country has made to the World Bank total $8.3 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2303 GMT 25 Sep 95)

Next year, the government will spend R15.7 billion to administer the bureaucratic apparatus, R1.9 billion to maintain its partnership in enterprises, R1.1 billion in informatics, R442 million in public works, and R188 million in publicity. This shows that the public administrators have not been austere in drafting the 1996 budget bill, which is being debated in Congress. The federal government "shareholder participation" in the most varied enterprises, which is mainly administered by the Bank of Brazil, is equivalent to one-third of the R6 billion the Health Ministry has been asking for to improve the chaotic situation of the hospital services rendered to the most destitute classes. The amount the government will spend in public works is identical to the amount of resources allocated to the agrarian reform program which, as the social tension represented by the fight for the land has shown, is extremely important. Expenditures for publicity will total more than the amount earmarked for cultural dissemination and maintenance of the national artistic and historic monuments. In addition, the government will spend R16 billion in payment of pensions to retired people and their families. The Aeronautics Ministry alone will spend almost R1 billion in pensions. The 1996 budget bill will have to be analyzed by the Budget Committee before 15 December, the day Congress will vote on the committee's evaluation. (Sao Paulo AGENCIA ESTADO in Portuguese 2230 GMT 27 Sep 95)

Treasury Secretary Murilo Portugal has reported that the National Treasury has been spending R900 million per month to pay interest on the domestic and foreign debts. This is more than the government spends with the health area, the school snack program, scholarships, and the in-

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ternational loans linkage. Portugal also reported that of the monthly R6.7-billion revenue, R2 billion are allocated to transferences to state and county governments, as established in the Constitution; nearly R2.6 billion are used to pay public employees' salaries; R900 million to pay interests; R650 million are allocated to the health area; R80 million to scholarships; R50 million to the school snack program; R100 million are used for payment of international loans linkage; and the remaining $350 million are allocated to expenses and investments of all national ministries. Portugal also reported that the National Treasury had a R1.1 billion surplus in 1994. He concluded by saying that the government is only spending 48 percent of the amount contemplated in the 1995 budget for government expenditures and investments. (Sao Paulo AGENCIA ESTADO in Portuguese 2105 GMT 27 Sep 95)

Trade Issues

After more than 40 days of delay, the Brazilian Retherm company, which manufactures equipment for industrial ovens, has finally shipped parts worth $250,000 to Malaysia. These parts will be used in a steel mill being built in Jakarta. Despite pressure being exerted by the U.S. company Thermetek, which supplied most of the heavy equipment to the Malaysian steel mill, Retherm could not export its parts due to difficulties resulting from excessive customs bureaucracy and ineffectiveness of the Federal Revenue officials. Retherm owner Gerwald Decker has reached the conclusion that the current situation at the Port of Santos, the largest in the country, makes it impossible for an exporter to comply with established delivery dates. (Sao Paulo AGENCIA ESTADO in Portuguese 2123 GMT 25 September 95)

Argentine Ambassador to Brazil Alieto Aldo Guadagni has reported that his country will wait for the gas pipeline that will link Santa Cruz de La Sierra to Sao Paulo to be constructed, in order to define another pipeline that will take gas from Salta Province to the same state, which is the largest industrial area in Brazil. The Argentine-Brazilian pipeline will be some 2,600-km long and transport an average 1 billion cubic feet of gas per day. The pipeline will cost between $10 billion and $15 billion and will be constructed primarily by private enterprises, Ambassador Guadagni said. He added that the construction will have to wait for the implementation of Brazilian constitutional reform, which will end the state monopoly over hydrocarbons. Studies for the construction of the gas pipeline began in 1994, after the Argentine Government Oil Deposits and the Brazilian Petroleum Coporation, Petrobras, signed an "agreement of understanding." The Argentine Embassy believes that gas export to Sao Paulo would represent an income of more than $400 billion per year to Argentina. (Madrid EFE in Spanish 1921 GMT 26 Sep 95)

Brazilian traders have confirmed the rumors circulating in Chicago that Brazil wants to buy nearly 250,000 metric tons of U.S. wheat from Canada and the United States. This is a result of the drop in Argentine wheat production from 11 to 8 million metric tons. The traders added that the Brazilian companies want to buy wheat to be delivered in 1996, because they believe the government will reduce import taxes before the end of the year. (Sao Paulo AGENCIA ESTADO in Portuguese 2130 GMT 26 Sep 95)

Banco Economico Intervention Detailed

95SM0498A Sao Paulo VEJA in Portuguese
16 Aug 95 pp 84-91

[Article: "Baron of Bahia Hits the Mat"; introductory paragraph in italics as published]

[FBIS Translated Text] *Angelo Calmon de Sa, owner of the Banco Economico, did what he wanted with the bank and wound up under BC [Central Bank] intervention.*

Last Friday [11 August], Bahia Senator Antonio Carlos Magalhaes telephoned President Fernando Henrique Cardoso three times to ask that the Central Bank refrain from intervening in the Banco Economico.

"What you are going to do is very bad for Bahia," the senator said.

"How do you think I feel? It is also very bad for Brazil to intervene in a bank. Even more when it is a bank the size of the Economico."

"Don't you have a solution that will keep the bank in Bahia?" Magalhaes insisted.

"Everything has been tried, senator."

Early in the afternoon, Fernando Henrique Cardoso called the speaker of the Chamber of Deputies, Luis Eduardo Magalhaes (Antonio Carlos Magalhaes' son), and told him about the intervention. He heard one final appeal.

"Please be sure that that is the last solution possible."

Fernando Henrique called the president of the Central Bank, Gustavo Loyola:

"I would like for you to meet and see if that is the only way out."

Mission accomplished, Loyola returned the telephone call:

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"The only solution is tough intervention, Mr. President. Otherwise things will get bad: the BC's board of directors will resign."

"Well, let's adopt that solution: intervention and if necessary liquidation," Fernando Henrique ordered.

Thus was decreed the Central Bank's intervention in Brazil's eighth largest and also its oldest private bank: the bank is 161 years old. Announced at the same time was intervention in two other, smaller banks: the Mercantil in Pernambuco and the Comercial in Sao Paulo. "Angelo Calmon visited the Central Bank several times and was warned several times of the situation in his bank, and now we have had to make this decision because the other proposed solutions were too expensive for the treasury," said Loyola in explaining the intervention. The solutions considered "too expensive" were the alternatives that banker Angelo Calmon de Sa was considering to save his business without disheveling his dyed and implanted hair. Angelo Calmon wanted 1.2 billion reals, an amount that was to be refinanced over five years, at savings account interest rates. Since the Banco Economico would be able during that time to lend the money out at market rates of 40 percent per year, the loan would soon have vanished, and his bank would have been healthy again—at the taxpayer's expense.

As a result of intervention, Angelo Calmon has been prohibited from making any suggestions on how to run the business and from selling as much as a tie pin even if the item is in the dresser next to his bed at home. His assets, reported to the Federal Revenue Secretariat as being worth $93 million, are unavailable to him; his assets and those of the board of directors as well. This does not mean that he is going to become poor overnight. One of the former owners of Comind [Sao Paulo Bank of Commerce and Industry], liquidated in 1985, Paulo Pompeia Gaviao Gonzaga, lives in a mansion in Sao Paulo and has a BMW in the garage. Roberto Maisonnave of Rio Grande do Sul, former owner of the Maisonnave Bank—also liquidated in 1985—lives in Porto Alegre, has a winter home in Gramado and a summer home in Torres, the most elegant beach on the Rio Grande do Sul coast, and spends part of his vacation with his family in Punta del Este, Uruguay.

Billions Every Day

Angelo Calmon is no longer a banker. The Central Bank has decided that the Banco Economico will never be in his hands again. And if he wants to buy another bank after his assets are restored to him, he will be able to do so only with the BC's permission. The baron of Bahia's replacement in the main office at the bank's headquarters branch on the 12th floor of a building in Salvador will be accountant Francisco Flavio Salles Barbosa, a retired BC employee. An expert in the field, Barbosa was head of the department responsible for liquidating Comind and the Auxiliar in 1985. Unfortunately for those hoping for a Bahia solution, Barbosa is from Sao Paulo. Intervention in the Banco Economico, which the market sees as the advance sign of liquidation, is expected to last six months but may be extended for another six months. Beginning this Monday, its 279 branches will start the day sealed shut, and that is how they will remain for the next two or three weeks. Only after that will the 800,000 current depositors be able to withdraw up to 5,000 reals from their checking or savings accounts. Amounts higher than that will have to wait.

For small savers, waiting more than two weeks to get their money is a terrible thing. Big investors, on the other hand, who deal in fat sums and hot information, were not taken by surprise. Some of the big customers jumped ship some time ago. The Banco Economico has lost 880 million reals in deposits this year alone. Bradesco [Brazilian Discount Bank] withdrew the 50 million reals it had on deposit there. The Real Bank, Lloyd's, and the Bank of Brazil did the same. "When we saw that we might lose money, we withdrew everything," says an operator at the Bank of Brazil. Even Banespa [Sao Paulo State Bank], which is also under BC intervention, withdrew the 247 million reals it had invested in the Economico. Ten of the big pension funds have withdrawn 160 million reals this year alone. The champion was Previ, the Bank of Brazil's pension fund, which withdrew 87 million reals.

The health of a bank is measured by comparing the money it receives with the money it pays out. A bank is healthy when it receives more than it pays out. It is unhealthy when the opposite occurs. During 1995, all the money attracted by the Economico totaled less than the amount withdrawn by customers from its branches. Result: Every day, at the end of its working day, the bank was in the red. To keep its cash in the black, as is required of every bank, it had to borrow about 2 billion reals. Its credibility was so bad that the most it could get from private banks was 80 million reals.

The Economico obtained the difference in Brasilia. It obtained part of that from the Federal Savings Bank, which was required by the Central Bank to respond almost every day. The Federal Savings Bank lent more than 1 billion reals on the worst days. On one of the calmest days—2 May—it provided 570 million reals. The Economico obtained the rest of the money from its discount line at the Central Bank, on whose doors it knocked every day for nine months. Last Thursday,

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the Economico needed 3 billion reals and asked the Central Bank alone for nearly 2 billion. That was too much. It was the alarm signal that led to the intervention announced the following day.

Operation "Uruguay"

Beginning now, a team of officials from the Central Bank will be diving deeply into the Economico's books. They are going to verify documents, loans, and every kind of transaction. With carte blanche to do his work, the interventor can fire employees, collect debts, and sell shares in the Economico to other companies without consulting anyone. The Central Bank's supervisory department has been keeping a close eye on the Economico's figures and producing monthly reports since February. VEJA has had access to one of those reports—the one covering July. In the chapter on loans granted by the bank, there are some noteworthy cases. The Economico's biggest debtor is the Bahia construction company Concic, which owes 203 million reals and bills 150 million. The report says that Concic offered as partial payment the 20 million reals owed to it by the federal government—and no one knows when that will be paid. Among other loans, there are 14 million reals owed by the Mayrink Veiga firm, the matriarch of which has already sold even a Rolls-Royce at auction to pay off more anxious creditors.

A very strange case is also included in the 15-page report. On 25 August 1993, the Economico put through two loan transactions, both for $20.6 million. The strange thing is that the borrowing firms, Moviplan Projects and Incorporations, Ltd. and Personal Enterprises, Ltd., both gave the same address in Rio de Janeiro and have the same partners. One of those partners, Raimundo Cesar Menezes, signed the loan application on both occasions without stating his profession, activity, assets, or even his affiliation. The other, Sergio Ricardo Torres de Mello, was careful to fill in the blanks. He said he was secretary, stenographer, typist, and receptionist. And according to him, all he owns is a 1983 Chevette. As part of the security for the two loans, the duo presented the guarantee of a company headquartered in Uruguay. On that same day, the Economico authorized a third loan, also for 20.6 million reals, to a firm called Loulouah Investments and Enterprises Partnership, Ltd. As security for the loan, Loulouah also presented the guarantee of a company in Uruguay whose address was the same as that of the company guaranteeing the other two loans that day.

"When To Decide?"

A final report was completed last Tuesday and delivered by Gustavo Loyola to Minister of Finance Pedro Malan. According to that document, the volume of deposits in passbook savings accounts had dropped by half during the previous two weeks and the total in checking accounts was down by one-third. Everything was collapsing. The report said that if the Economico sold everything it owned, it would still end up owing money. Its debt was 16 percent more than its net assets. Loaded with technical annexes, the report contained a curt and straight-to-the-point conclusion approved by the BC's board of directors. It was necessary to liquidate the bank immediately or order an intervention and close the bank's doors with the possibility of liquidation later. "With intervention, we can thoroughly examine the Economico's books," Loyola told Malan. "If we cannot come up with a solution in 30 days or 60 days at most, the only way out is to liquidate," he added. Malan conveyed the results to Fernando Henrique that same day. "When will we have to decide on this?" the president wanted to know. "By the end of the week," the minister answered. The president concurred.

As the owner of 33 percent of the shares (including those held by his relatives) but controlling 61 percent through a partnership with other shareholders in a holding company, Angelo Calmon was always at loggerheads with another of the bank's major shareholders, Paulo Sergio Tourinho. Happily for him, Tourinho announced at the end of 1993 that he intended to sell his interest in the bank. Since he did not have enough money of his own to buy Tourinho out, Angelo Calmon went looking for someone else's money. He first contacted a state-owned Portuguese bank, the Portuguese Bank of the Atlantic (BPA). In March of last year, the Economico even signed a protocol of agreement with the BPA, but the deal fell through when the BPA was privatized.

With the introduction of the Real Plan, which took away the easy money it was making from inflation, the bank began to lack sufficient funds for balancing its cash. In December, the Economico stepped up to the Central Bank's rediscount counter for the first time. To capitalize itself, it planned to sell 750 million reals worth of securities abroad—a dream that collapsed when Mexico went broke. At the start of the year, the amount of money being attracted by the Economico began to drop rapidly, and the bank's trips to the rediscount counter became habitual, with more money being requested each time. Under Persio Arida's administration, Angelo Calmon went to Brasilia to ask for time in which to solve the bank's problem and, acting as though he were at a union rally, swore that he was worried not about his own interests but about the jobs of his 9,500 employees. His appeal did not move Arida, and from that point on, according to a Rio de Janeiro banker who has examined

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the bank's documents thoroughly, the solution was to conceal the ugliness of reality with embellished balance sheets. "I examined the Economico's books three times," the banker says. "The balance sheet is completely falsified."

If low inflation was one disaster, the rise in interest rates was another. Even so, Angelo Calmon found it hard to give up. He kept looking for a partner/lifesaver even after the Central Bank had already concluded that without his departure from management, liquidation would be inevitable. In April, banker Pedro Henrique Mariani, head of the Bank of Bahia and of 14 other companies with a combined billing of 250 million reals, offered to become a partner. But Angelo Calmon thought he was too small. "He wanted stronger businessmen and invited Emilio Odebrecht for talks," says an executive at the Economico.

Exclusive Elevator

That started the round of talks that would be expanded to include Paulo Cunha, president of the Ultra group, and Max Feffer, president of the Suzano group. The Economico, Odebrecht, Suzano, Ultra and Mariani are partners in the Northeast Petrochemical Company (Copene), which bills 1.2 billion reals per year. The deal failed because it involved talks in which everybody was speaking a different language. Angelo Calmon wanted to talk about his plans for the Economico, but his partners were interested only in the petrochemical companies, Copene first of all. "It was a disappointment for Angelo," says one of his friends. "He realized that they only wanted to talk about Copene, and they became discouraged when they saw that they would also have to join the bank."

The first to pull out was the one who had entered first: Mariani. Elected coordinator of the group's talks mainly because he was the only one who understood the financial system, Mariani was in Brasilia on Thursday the 3d to talk to Loyola. He went there to say that he would not participate in the "hospital operation." He was afraid. As soon as the market learned of his involvement with a tainted company, his own companies would begin to lose their prestige in the marketplace. On that same Thursday, Emilio Odebrecht visited Bahia Governor Paulo Souto. He sent one of his directors, Jose Mascarenhas, to visit the governor of Sao Paulo. Odebrecht's proposal was that the Bahia government pay the 170 million reals owed to his firm by the state for public works projects carried out under Nilo Coelho's administration, and all that money would then be invested in the Economico. The same speech was repeated in Sao Paulo by Mascarenhas. It did not work, and Emilio Odebrecht was more convinced than ever that he understood nothing about banking. On Saturday the 5th, Victor Gradim, a director of Odebrecht, visited the Economico to say that his firm had backed out. In a private conversation last Tuesday, Emilio Odebrecht, head of a group that bills 3.4 billion reals per year, revealed his reasons for backing out of the deal. "I have great friends in the financial system who have always helped us. I do not want to quarrel with them. Besides, I do not know anything about banking," he told a friend.

Cunha and Feffer, who had appeared at the meetings only because of their good breeding, were thankful. A banker familiar with the talks asks: "Do you think that Max Feffer of the Suzano group, who has gradually built up a fortune of $1.5 billion, is going to risk all that to save Angelo's neck?" As the last chance for the Economico, Antonio Carlos Magalhaes telephoned economist Daniel Dantas in the hope that he would be able to put together a scheme to save the bank. "In Bahia, Daniel Dantas does what I tell him," the senator explained. Daniel Dantas' intervention failed, but that has not made him a loser (see below).

Now 59 years of age, with four children and a wife (Anna Maria, whose beauty won her the title of Miss Bahia), Angelo Calmon de Sa is a vain man. He drinks fine wines, speaks with a Bahia accent, loves conversation, and, since being president of the Bank of Brazil and minister of industry and commerce in Ernesto Geisel's administration, has acquired a fondness for the trappings of power. There are six elevators at the bank's head office. Five are for directors and employees. The sixth is used only by the president. "One time a manager with 20 years' service entered the elevator, and he was later reprimanded," says a former colleague at the Economico. In the bank's private jet, Angelo Calmon always travels alone. Even if bank directors are going to the same city, the president flies in the jet while the others take a commercial flight—something that could be seen as a safety precaution in case of an accident, but it has always been viewed as snobbery. When he became president of the Economico again after a brief stint in Fernando Collor's cabinet, the former banker was unwilling to share a 600-square-meter office with the other directors without partitions and with a pool of secretaries. He took back the office one floor up, on the 12th floor, with employees and advisers for his exclusive use.

"Tripping Him Up"

Angelo Calmon made so many loans to doubtful customers that discussions by the bank's loan committees were often uncomfortable. In that task he was helped by his brother Francisco de Sa, Jr., who lives in Rio de Janeiro and opened up the coffers to customers who were more than doubtful but charming—examples be-

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ing Adolpho Bloch of the MANCHETE network and the Mayrink Veiga family. "Bahia ought to rise up and deposit large sums of money in the bank to save it," says a former executive who even today is dying of love for the Economico. "But perhaps Angelo Calmon is paying the price for having few friends."

The heir of a family that bequeathed him more nobility of name than money in his pocket, Angelo Calmon grew up with the reasonable dream of someday becoming a millionaire. An engineer, he began his working life as a timekeeper for Odebrecht and was secretary of state twice until, in 1971, he sensed the winds of destiny. He was invited to rescue the Banco Economico, in which he was an insignificant shareholder, from crisis. At the time, he was studying management in the United States, but he returned to Brazil and sat down in the bank president's chair. He worked, as he continued to do until last week, with the energy of a lion, capable of putting in exhausting days at work. Starting out as an insignificant shareholder, he pulled out his checkbook to buy shares at such a rate that even the directors were surprised.

Angelo Calmon grew rich as a salaried executive in a bank which ranked 43d in size when he took over, and by the time he was dethroned, it was in eighth place among the private banks. To get there, he had played rough in all disputes, large or small. He once attended a cattle auction in Cruz das Almas in Bahia's interior and inflated the price so much that the ranchers became irritated. At one point, three animals were up for auction and a friend of modest means who was interested in buying one head asked Calmon not to bid, and he was so impressed with the answer that he told a friend about it. "Nothing doing," Angelo Calmon had said. "All I have bought so far are females. I need a bull." In 1973, after he had been head of the Economico for two years, Angelo Calmon tried to buy the Bank of Bahia on the sly by playing a trick on old Clemente Mariani, owner of the bank and a famous figure in the state. "The worst of it was that he called the old man 'uncle,' but did not hesitate when the time came to trip him up," says a Bahia businessman who followed the story closely.

Bankers Bled Dry

It was a war involving dramatic events dotted with betrayals and low blows, and it ended with two losers. Mariani realized that Angelo Calmon was buying shares on the sly and counterattacked. His rival did not retreat, covered the bet, and bluffed by paying more. The value of the stock went into the stratosphere to the delight of the small shareholders, who were besieged even in the streets of Salvador, but it bled the two bankers dry. Mariani kept control of the Bank of Bahia, but ended up having to sell it to Amador Aguiar, the owner of Bradesco. Angelo Calmon escaped bankruptcy only with the help of the then governor of Bahia, Antonio Carlos Magalhaes, who induced the Medici administration to persuade Amador Aguiar to buy all the shares owned by Angelo Calmon, thus getting the latter out of the hole.

Courteous and well educated, the former banker would make an excellent public relations man. A believer in centralism, he demanded that all decisions be approved by him. But since he also likes to appear in public in the eternal hope of being elected governor of Bahia, he was an absentee bank president. He loved ceremonies, even the most inane. In 1979, for example, he was in Pernambuco to launch the Economico's passbook savings accounts and handed the first passbook to Marco Maciel. "The directors decided things, but would be reprimanded. Eventually they stopped deciding things. Even quite trivial matters would sometimes take a week to be decided," recalls one of the bank's former executives. With attitudes like that, Angelo Calmon de Sa changed. In the first phase, from 1971 to 1974, before he joined the Geisel administration, he was respected and liked by the employees. In the second phase, from 1979 until now, his charisma gradually disappeared. "Who is going to like somebody who will not take you along on a jet and does not even like to share the same elevator?" asks a former director of the bank. So it was that last Friday, a baron of Bahia lost his throne.

What Intervention Is

Intervention is the banking industry's version of a composition of debts. For a bank, the only thing worse is liquidation, the equivalent of bankruptcy. An institution goes to the mat when the Central Bank discovers that irregularities have been committed or that incompetent management is placing the depositors' money at risk. That was the reason for the intervention in the Economico, which may remain in the BC's hands for from six months to a year. During the process, the government will continue to seek buyers for the bank. The managers will be removed from their posts. The interventors will have 120 days in which to evaluate the situation. The first thing they will want to know is whether the bank's credits are sufficient for paying off its debts. Then they will want to show why the Economico reached the situation it is currently in, who the possible guilty parties may have been, and how the bank can be returned to private hands. If the administrators conclude that there are guilty parties, they will be prosecuted by the Public Prosecutor's Office.

Anyone who occupied a management position in the Economico sometime during the past 12 months will

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have his assets frozen. They may be sold at auction to make up the bank's deficit. The BC may recommend that the assets of managers, tax advisers, and other employees also be sold. Sequestration may extend to the former administrators' relatives in the second estate until the loss has been made good. Starting this Monday, the bank will be closed for from two to three weeks. After that, withdrawals from passbook savings accounts and checking accounts will be honored to a maximum of 5,000 reals per customer. From then on, the bank will only accept money; it will not pay any out. The employees will continue to work and be paid their salaries.

Whether depositors and investors get their money back will depend upon the results of the intervention. If someone buys the bank, its debts will be paid in full. If it is not sold, the BC will have to liquidate, and whatever it gets from auctioning off the bank's loans and assets will be divided up among the creditors. First the bank's employees will be paid. Then comes the tax office. Lastly, whatever is left will be prorated among the other creditors. In 1985, when the financial system was shaken by the liquidation of the Comind, Auxiliar, and Maisonnave Banks, the Economico felt the jolt indirectly. It had to spend a long period at the BC's rediscount office. This time the Bahia bank was unable to stay afloat.

Head of the Banks' Intensive Care Unit

When it was all over, things had not turned out exactly the way he intended. But Daniel Dantas, 39, chief executive of the Opportunity Bank and the man appointed by the government and groups in private enterprise to seek alternatives for guaranteeing the Banco Economico's survival, did not come out of the episode defeated. On the contrary, even though his efforts were in vain, his work strengthened the admiration in which he is held by his colleagues in the marketplace and earned him a few points in Planalto Palace, at the Central Bank, and in the heart of Senator Antonio Carlos Magalhaes. After all, it was mainly because of the pressure from that trio that, five weeks ago, Dantas jumped into the crisis at the Economico to try to solve a problem which everyone, including him, knew was insoluble.

Dantas was elevated to the position of chief of the medical board meeting to save the Economico as he returned from a trip to Israel. Following fruitless discussions with other business groups in Bahia regarding the best way to help the bank, Senator Antonio Carlos Magalhaes picked up the telephone and decided to call him in to examine the matter. Dantas immediately made it clear that the situation at the Economico was much worse than its shareholders were letting on. "The problem is structural," he warned. Dantas went into battle. He spent the first two weeks contacting other businessmen and major retail banks in the country.

Three weeks ago, he submitted a devastating diagnosis to those concerned. The Economico was not only broke, but any attempt to save it would require going to the Central Bank. "Rescue requires a political decision," he warned. And he put forward a few ideas in that regard. The one he preferred involved intervention along the lines of that adopted in the case of Banespa, in which the bank continued to operate normally. He suggested that the interventor be a man from the banking industry.

The government, the BC, and the businessmen keeping a close watch on the matter loved the alternative he presented, and they insisted that the bank administrator be Dantas himself. He did not like the suggestion. Although considered a talented man on financial matters, he himself knows that he has no bent for running a big retail bank. "Daniel is an excellent guerrilla fighter. But he would have trouble being the chief of staff of a regular army," says an attorney. But the pressure was strong, and he eventually agreed to take care of the Economico, but not as an administrator. "His role would be practically that of a custodian in charge of watching over the actions of the new managers," says one banker.

Dantas spent Tuesday afternoon in Sao Paulo talking to potential partners in the operation. He was optimistic when he returned to Rio de Janeiro and continued his efforts by telephone. On Thursday he was urgently called to Brasilia to try to stitch together an alternative for the Economico at the Central Bank. There it was insisted that Dantas would have to head up any operation as the condition for success. On Friday morning he was worried about the Economico's deterioration but still cautiously optimistic. That afternoon he exchanged several telephone calls with the BC and Planalto Palace, still thinking that his advice would be followed. As night fell and it became clear that the government was going to intervene, Dantas felt that there was no way out. He learned of the decree ordering intervention when the BC telephoned him at around 1930 hours. And he breathed a sigh of relief. "Now I can get back to doing my job," he told a friend.

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Chile

Government Announces 15 Percent Advance Payment of Debt

PY2909162995 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 29 Sep 95

[FBIS Translated Text] The government has announced the payment in advance of more than $1.3 billion of the Chilean foreign debt. This measure will have a positive impact on economic growth and savings.

Finance Minister Eduardo Aninat and Budget Director Jose Pablo Arrellano looked satisfied as they walked from 120 Teatinos Street to La Moneda Palace. They had a good reason for doing so because they were carrying documents certifying the advance payment of 15 percent of the Chilean public foreign debt.

The signing of the corresponding decrees and checks by the president of the Republic marked the end of a process with few precedents among the Latin American governments.

[Begin Aninat recording] We believe, as we have discussed with the president, that this is evidence of the fiscal savings in Chile, of the strength of the Chilean Treasury, and that the government's accounts are well balanced. The important thing, really, is that the country can pay its fiscal debt in advance. The amount paid is significant, and this gives us enough breathing space to guarantee significant economic growth from next year on. [end recording]

According to the Central Bank, as of 31 July the total foreign debt amounted to $21.303 billion, of which 58 percent, equivalent to $12.481 billion, belongs to the private sector, and the rest — $8.822 billion — to the public sector. The latter figure is the one that will drop significantly due to the government decision to pay $1.333 billion to international organizations in advance. Of this total, $561 million was paid to the World Bank and $772 million to the Inter-American Development Bank.

In the government authorities' opinion, this decision will reduce payment of interest and amortization of the debt by approximately $280 million per year during the next three years, which will allow the government to channel public resources to the social area, a preferred option.

Defense Minister Acknowledges Pinochet's Leadership

PY0210193195 Santiago EL MERCURIO in Spanish 28 Sep 95 p C3

[FBIS Translated Text] Defense Minister Edmundo Perez Yoma on 27 September stated that Army Commander General Augusto Pinochet is a former president who exerts unquestionable leadership in the political center-right.

Perez Yoma made these remarks during a two-hour news conference with foreign correspondents, who asked him about Chile's current situation and civilian-military relations.

He noted that Gen. Pinochet ruled the country for 17 years and that therefore, he enjoys the double status of general-politician. Perez Yoma said that this is a characteristic "that should never be overlooked. It is a fact, not a mere desire."

He said that although he should not be involved in current political issues, Pinochet is for all practical purposes a former president who enjoys "extraordinary support among Chilean politicians." He added that Pinochet undoubtedly exerts leadership in the political center-right.

Speaking in Iquique, Interior Minister Carlos Figueroa declined, however, to comment on Gen. Pinochet's recent remarks. He said that "without any intention of offending anyone, the truth is that I decided not to comment on Gen. Pinochet's remarks a long time ago."

Pinochet Departs on Business Trip to UK, Malaysia

PY0210150495 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 2 Oct 95

[FBIS Translated Text] At a time when the Army is facing difficult issues, Army Commander Augusto Pinochet has undertaken a two-week tour to the United Kingdom and Malaysia.

[Begin recording] [Unidentified reporter] With all the secrecy that has always surrounded his activities, Gen. Pinochet arrived at the Comodoro Arturo Merino Benitez International Airport VIP room. On 29 September, he officially informed President Eduardo Frei of the details of his trip. Gen. Pinochet is going in response to invitations extended by military factories and officials from the United Kingdom and Malaysia.

Pinochet is leaving Chile just as the Army is facing particularly difficult issues. In the next few hours, the government is scheduled to announce the Armed Forces salary readjustments, one of the most crucial issues affecting the military. Unofficial reports state that this readjustment will be about 8 or 9 percent. This comes on top of the general salary readjustment for all public employees, encompassed in the national budget, which totals about 9 percent. Thus, the total salary readjustment for Armed Forces members will be about 17 or 18 percent.

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Another even more delicate issue that may be resolved during Gen. Pinochet's absence is that concerning the definitive transfer of General Manuel Contreras to the Punta Peuco jail.

In view of Gen. Contreras' imminent transfer, the Army hopes a joint guard system will be enforced under which the Carabineros will assist Prison Police officers in guarding the Punta Peuco jail. Nevertheless, high-ranking Army command members still believe it is vital for the military to be in charge of Contreras' custody. The final decision will be made by the Justice Ministry which is drafting the decree to authorize this new joint guard system.

In view of Gen. Pinochet's trip, it will be up to Army Deputy Commander Guillermo Garin to face these issues. Garin left the airport without making any statement.

Gen. Pinochet left in the company of his daughter, Lucia Pinochet; General Richard Quaas, chief of the general staff; and by General Luis Irrazabal, director of FAMAE [Army Ordinance]. They are heading for the first stop: the United Kingdom. While there, Gen. Pinochet will reunite with his wife, Lucia Hiriart. Gen. Pinochet was invited by the Royal Ordinance, a branch of British Airspace, a company with which FAMAE signed an agreement to build the Rayo rocket.

Later, Pinochet is scheduled to fly to Malaysia which has expressed interest in acquiring FAMAE-manufactured war materiel. It is expected that on his way back, Pinochet will visit Brazil where he will spend a brief vacation. [end recording]

Public Works Minister Views Transition's 'Shortcomings'

PY2909180895 Santiago LA TERCERA DE LA HORA in Spanish 21 Sep 95 p 6

[Interview with Public Works Minister Ricardo Lagos by the Spanish daily EL PAIS, with an exclusive copyright for LA TERCERA DE HORA; place and date not given]

[FBIS Translated Text] [EL PAIS] Recent comments by [Army Commander General Augusto] Pinochet on the 22d anniversary of the coup [11 September 1973], in which he called you assassins, have aroused the Chilean military and civilian sectors. Chile is regarded abroad as a restricted democracy. What do you think?

[Lagos] I believe this peculiar Chilean transition towards democracy has not concluded yet. What happened following the Supreme Court ruling that sentenced two Army officers charged with being the intellectual authors of the murder of the late Foreign Minister Orlando Letelier only reveals the transition's shortcomings. I believe Eduardo Frei's speech (in which he proposes a reform of the current restricted system) was very courageous because he admitted that what happened during the past few months shows that our democracy is not perfect and that our institutional system is inadequate to handle the problems at hand. A political system in which we obtain a majority in every election and do not enjoy a majority in Congress to approve a reform is irrational. Some maintain that circumstantial majorities should not be allowed to carry out reforms. What circumstantial majority are they talking about if we have enjoyed the support of 60 percent of the Chileans for the past eight years!

[EL PAIS] Will Frei's proposal contribute to achieving progress?

[Lagos] One cannot say that Frei's three proposals will complete the transition. Certainly not. But we must admit that those three laws will help us make progress. I believe that, to a certain extent, the recent loquacity on the part of the military is due to a perception that these proposals are gaining support in Chile and even from some opposition legislators. It is hard to maintain that the president of the Republic cannot remove the high (military) commanders, or that there are, in the Senate, eight or nine men, representing 20 percent of the senators, who in practice are capable of changing the peoples' will.

[EL PAIS] And that they are not elected.

[Lagos] Right, and that they are not elected. Look, in 1993 there was a partial election of senators; our list, the list of the Coalition of Parties for Democracy, obtained 60 percent support and the rightist list less than 40 percent. In view of the peculiar Chilean system, the number of senators of the two parties is the same. What democratic system in the world calls a tie when in fact one party has obtained 60 percent and the other 40 percent in the elections?

[EL PAIS] In 1990, you said that there are two differences between the Chilean and Spanish transition. You literally said: "The dictator is among us and he enjoys great power." You also said that there is a rightist sector inherited from Pinochetism. Is it hard to lead a transition process when, so to speak, the former dictator exists "in person" and exercises his command?

[Lagos] It is hard. But the second point is even harder. Chile had someone like Fraga, who cooperated with the dictatorship yet understood that for the rightist sector to become a government alternative, it had to clearly support democracy. Currently, Aznar, who

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is Fraga's successor, is moving toward a democratic consolidation. The rightist sector has not followed suit in Chile. The rightist sector continues to be tremendously dependent. Many of them, not all, need a sort of "military reassurance."

[EL PAIS] Some people believe Pinochet has played the role of a moderator.

[Lagos] Former President Patricio Aylwin says Pinochet has been a positive element because there was someone to understand. I would not put it in those terms. That would be an insult to the rest of the Chilean officers; it would be like saying that they need a father to give them orders. There is a tradition in the Chilean Army that should surface some day — a tradition of respect and obedience to the civilian power.

[EL PAIS] Don't you think it is complicated, almost insulting, that 22 years after the coup, the head of the repression calls those who were defeated assassins?

[Lagos] The problem is that we still have a long way to go, because there are still two Chiles. As I said on 11 September: What the people are going to see on television in their homes are two Chiles — one that goes to Mass because [late president Salvador] Allende died on this date, and one that gathers at a restaurant to celebrate with Pinochet. In that sense, we still have a long way to go.

[EL PAIS] Is March 1998, when Pinochet is supposed to retire, the key?

[Lagos] In the past I would have said so. The current crisis does not involve Pinochet only, but the entire Armed Forces.

[EL PAIS] The cases of [General Manuel] Contreras and [former Brigadier Pedro] Espinoza, sentenced for Letelier's murder, seems another express proof of the limitations of the civilian power. Contreras ignores the sentence by seeking refuge in a military hospital, protected....

[Lagos] Formally speaking, what he is doing is legal. He is in the hospital because of a number of resources provided by and under the law. The interesting thing is this: What will happen when he runs out of resources? I am certain that the Army, on that day, will not violate the law, because it is aware that if it does so, it will lose.

Colombia

Serpa To Remain Despite 'Crisis' in Ties With U.S.

PA0210195695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 2 Oct 95

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] The magazine SEMANA has reported that a meeting was held in the presidential palace on Friday to discuss the possible resignation of Interior Minister Horacio Serpa as a result of the crisis with the U.S. Government. The "12:30 Newscast" has established that the U.S. Government has not been satisfied with the interior minister's rectification and that the uncomfortable situation continues. We have found out what happened in that meeting.

What is Minister Serpa's situation? On Friday night, there was a meeting until late in the evening to determine whether or not the interior minister's presence in the government was advisable. The sides were divided very unequally. It seems the majority of the members of the government were in favor of having the interior minister leave the government. There was one exception, the foreign minister and Juan Fernando Cristo, image adviser and future deputy foreign minister.

The minority won. Serpa will stay. He will be the delegated minister to replace the president during his absences, and there will be no change in the Interior Ministry. A way will have to be found to solve the somewhat uncomfortable situation with the United States, and Serpa will be delegated minister.

Envoy To U.S. Interviewed on Situation, U.S. Relations

PA0310015295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 3 Oct 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] The prudent and silent pact of officials from all branches of power has apparently not reached the ears of Ambassador to Washington Carlos Lleras de la Fuente. Today, without naming names, he criticized Minister Serpa for his statements. We have the following report via satellite from the U.S. capital with Cesar Mauricio Velasquez.

[Begin recording] [Velasquez] How have you been treated at the State Department and at the White House?

[Lleras de la Fuente] Well, we are currently facing very difficult times. This is perhaps the most difficult period in recent times, which I thought was already over

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but this was not the case. We should amend this situation as a result of so many mistakes. People in Colombia have no concept of the importance of relations between Colombia and the United States, and sometimes attitudes that cause serious damage are adopted, attitudes that destroy the hard work accomplished in various months.

[Velasquez] Is Dr. Serpa a [words indistinct] destruction?

[Lleras de la Fuente] I would not like to comment on Dr. Serpa, but there are events in the Colombian life that his remarks have affected. The important thing is that the work — which has so far been very successful — not be attacked by that national grub [gorgojo], which tends to destroy relations without taking into account their importance for the country.

[Velasquez] Who is the grub?

[Lleras de la Fuente] Our fellow Colombians who don't understand the importance of Colombian-U.S. relations, which we try to improve and maintain at a high level.

[Velasquez] The boat is sinking. Does this opinion also apply to those jumping before it goes down?

[Lleras de la Fuente] They say that rats leave the boat before it sinks. Naturally, that is a representation I would rather not even consider. [end recording]

President Samper Regrets Murder of Political Leader Sojo

PA0210164595 Madrid EFE in Spanish
1923 GMT 1 Oct 95

[FBIS Translated Text] Santa Fe de Bogota, 1 Oct (EFE) — Colombian President Ernesto Samper today regretted the murder of Jose Raimundo Sojo Zambrano, former presidential candidate, and said that he was "a Colombian with a great career and noble qualities."

Liberal Party leader Sojo was murdered by unidentified assailants, seemingly guerrillas, when he was with his family at a farm located in a rural region between the communities of Anilaima and Cachipay, 70 km west of Santa Fe de Bogota.

"He was a union leader that devoted a great part of his life to servicing the country's cattlemen and farmers," Samper pointed out. The Colombian president vouched that "the country can remain certain that this crime will not go unpunished."

The former presidential candidate, who was economic development minister during the government of Misael Pastrana (1970-1974), was shot several times in the back when he tried to escape from his attackers.

Samper asked Defense Minister Juan Carlos Esguerra to redouble efforts and reinforce the staff in the military garrisons located in central Colombia in order to guarantee peace in the region.

A few weeks ago, former Government Minister Julio Cesar Sanchez was kidnapped in Anapoima, near Anolaima. Authorities rescued him later.

Various sectors of the country decried the murder of Sojo, 65, because he was a political leader and head of several production sectors.

Samper extended his condolences and those of his government to Sojo's family. According to his family, who affirmed that he had received no threats whatsoever, he will be buried on 2 October in Santa Fe de Bogota.

Minister Rules Out Conspiracy Against Samper Administration

PA0210215795 Santa Fe de Bogota Inravision Television Canal A Network in Spanish
1730 GMT 2 Oct 95

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] Justice Minister Nestor Humberto Martinez has ruled out the fact that there is an internal conspiracy against the Samper administration. Martinez spoke to journalists in Bucaramanga.

[Begin recording] [Unidentified reporter] But when the attorney general, the interior minister, and the DAS [Administrative Department of Security] director are criticizing and reprimanding the Prosecutor General's Office, isn't that a conspiracy against justice?

[Martinez] No, it is not a conspiracy against justice, but if you want to hear the opinion of the Justice Ministry, I will tell you that I would prefer to hear prudent information in private rather than through the media. [end recording]

Top Officials Meet With Samper To End 'Confrontation'

PA0310013195 Santa Fe de Bogota Inravision Television Canal A Network in Spanish
0000 GMT 3 Oct 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] Fifteen high-ranking officials from all branches of government met today with President Samper to end the evident confrontation occurring these days. In the end, a brief communique read by the minister of justice, without questions from journalists, seemed to mark the new government style.

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The branches of public power in Colombia today, after a meeting that lasted more than three hours in Narino Palace, asked to expedite the investigation to determine if there was drug-trafficking money in the Samper campaign. This meeting was presided over by President Samper.

[Begin Justice Minister Nestor Humberto Martinez recording] We consider it important for the handling of the current situation to suggest the possibility of expediting the conclusion of the pending investigations, without sacrificing, of course, any effort which may contribute to make justice and have the truth prevail. [end recording]

The representatives of the executive, legislative, and judicial branches added that passions must be avoided regarding the situation that may compromise all of the institutions of the country.

[Begin Martinez recording, broadcast in progress] ....permitting that the government rule, that justice judge, that Congress legislate and monitor, that control authorities monitor, and that the press informs. [end recording]

Finally, the media and public officials were asked to create a necessary detente atmosphere for the normal conclusion of the criminal investigation.

Stock Market President Comments on Political Crisis

PA0310043295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0130 GMT 2 Oct 95

[From the "AM/PM Newscast"]

[FBIS Translated Text] While the government continues to tumble and the political crisis reaches historical proportions, the Colombian economy continues to dangerously weaken. According to analysts, the political crisis sparked by the government's juridical situation continues to increase the devaluation indices.

In the United States, the firm Morgan and Stanley estimates that by December the dollar value in our country will exceed the 1,000 pesos mark as a result of the crisis. According to stock brokers in Colombia, the paralysis of the stock market stems from the fact that investors have gone out to buy dollars due to the insecurity generated by the government's situation:

[Begin Carlos Caballero Argaez, Santa Fe de Bogota Stock Market president, recording] What we refer to as the political crisis has had an effect during the past two months, particularly because there were conditions for an increase in the market activity. We believe, however, that the market has been rather quiet due to the political crisis and that investors have been zealously cautious. [end recording]

According to Caballero Argaez, the index of the Santa Fe de Bogota Stock Exchange has dropped by 22 percent this year. All of this adversely affects inflation, which in the end finds a principal victim, namely the real wage of Colombians.

Exports represent another parameter to measure how the government crisis is adversely affecting the national economy. So far, exports have not experienced a crisis, but:

[Begin Javier Diaz, National Association of Exporters vice president, recording] It is undeniable that this entire process, all the problems the country has experienced in the last year have adversely affected the country's image abroad. Sooner or later, if we do not resolve these problems promptly, this will hurt the country. [end recording]

Portions of Medina 'Diary' Published

95WD0456A Santa Fe de Bogotá SEMANA in Spanish 19 Sep 95 pp 23-31

[FBIS Translated Text] *From prison, Santiago Medina, ex-treasurer of the Samper campaign, wrote his version of the facts to be included in the 8000 Case. SEMANA is publishing portions.*

"On Friday, 17 June 1994, two days before the presidential election, Ernesto Samper told me at campaign headquarters that he had decided to invite a group of friends (about 50 persons) to my house to view on my giant television screen the soccer match between Colombia and Romania, the first to be played by our team in the World Cup series in the United States.

"Among the guests arriving at my residence on Saturday, 18 June, were the campaign board members and 20 soccer greats, including 'Caiman' Sanchez, 'Maravilla' Gamboa, 'Pocillo' Lopez, and other players now retired. If the team won, Samper had ordered the pictures of the celebration held at my house to be submitted for that night's television newscasts.

"Before the guests arrived, about 1500 hours, there was a phone call, and one of my maids told me that a gentleman was on the line, requesting to speak with me urgently, but refusing to identify himself. When I went to the phone, the speaker revealed his identity, saying: *'Santiago, you are speaking to Miguel Rodriguez. I am calling to tell you that I have information on some cassettes that are circulating over there, on which they taped us discussing the money that we gave to the*

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campaign. Don't worry, because we have it all arranged. We will claim that none of it is true, and that you and I have never seen each other in our lives.' That was our entire conversation, and I was left petrified. I was very anxious, not knowing what to do. A few minutes later, Fernando Botero arrived. I hurried to the door, to meet him. Taking him by the arm to a quiet place, alone, I told him there about the conversation that I had held, and the fright that it had caused me. Botero responded in a deliberate tone, advising me not to worry, and to remain calm. He said that everything was under control, and that he already knew about that story, but that it was a false rumor, aimed at frightening Samper a day before the elections. I remained calm, and went up to join the guests in the attic of my house to watch the game. We were totally disappointed, because the Colombian team lost to Romania, and there was no celebration of any kind.

"About 2030 hours, Ernesto Samper, Fernando Botero, Rodrigo Pardo, and I went to my room to watch the 'TV Today' newscast. Before it began, Fernando remarked that 'TV Today' would soon be publishing something about the cassettes, because they were known to be in the hands of Andres Pastrana, whose family owns the news channel. The four of us gathered to wait for the news, but nothing happened that night and, when the newscast ended, Botero told us to remain calm, claiming that there would be no problems. A few minutes later, we took our leave, planning to meet very early in order to finish arranging a few details on the day of the second and final presidential vote.

"Election day was very stressful. Our nerves were all on edge, as we waited for the final results. At the end of the day, things began to change, because the vote counts being issued by the Registration Office and the street polls taken by the campaign were giving the presidency to Ernesto Samper. Then we went over to the Convention Center to celebrate. I remained there for an hour, and later went home to finish organizing the party that we had prepared for 300 persons.

"At dawn, when Ernesto Samper was preparing to leave, he approached me, saying that he wanted to look at the swimming pool at my house. The two of us went for a walk, and when we were alone he asked me whether I was sure that all the campaign 'business' had been conducted well. I replied that everything had been done very carefully.

"Two days later, on Tuesday, 21 June, I was in my office at the headquarters, arranging and reviewing the campaign papers, when one of the secretaries told me that there was a reporter from London asking for me, and saying that it was urgent that I speak with her. At first, I hesitated to receive her. I did not know what she wanted to discuss with me, and was too nervous to receive reporters. She insisted, telling the secretary that the matter involved was very delicate. So, I decided to receive her, and she brought up the subject of the 'narco-cassettes' to me again. I answered that I did not know what she was talking about. I was very brusque, and told her that I had no time to spend with her. When she left, I decided to go home, because I was quite upset, not knowing what to do. When I arrived home I called Fernando Botero, telling him that I needed to talk with him urgently. He responded by advising me not to worry, assuring me that he would leave immediately for where I was, and that we would talk more calmly.

"Botero arrived about 1500 hours. I was still very anxious. He reassured me, claiming that I had nothing to worry about and recommending that I spend some time outside the country. He told me that I would have no financial problem in supporting myself abroad for a few months, and that it would be best for me to get away from everything.

"I did not like the proposal at all. It bothered me greatly, and I was very hard on Fernando. I asked him why they were giving me such a hint, and why they wanted me to leave. I said that I was no criminal, or thug, or anything of the sort, who had to go running away from the country, and that everything I had done in the campaign had his authorization and that of Ernesto Samper. I indicated that nothing had ever been done other than what they ordered, and that, therefore, the proposal he was making to me was unacceptable. He realized that I was very annoyed, and tried to soothe me, telling me not to interpret things that way. He said that all he wanted was my peace of mind, so that no one would bother me. I answered by pointing out that the problem was not one of a single person, and that we were all implicated in the affair. I told him that, in this situation, either we were all in it together or we were all ruined: there will be no victim here, nor any martyr. Either we all survive, or we will all be sunk. That was how the matter was left, with the idea that, insofar as I was concerned, they knew what to count on in the event that anything should happen.

"During the last week of June, after Andres Pastrana held the press conference on the topic of the 'narco-cassettes,' Fernando Botero called me, saying that he had to speak with me urgently. We met again and, on this occasion, he told me that he had a message in the name of President Ernesto Samper: *'Santiago, President Samper wants to ask a very personal favor of you. He wants you to go on television tonight and assume responsibility for the entire affair, saying that, as campaign treasurer, if the money entered, you were*

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deceived, and that the drug traffic put in the money without your knowledge.' I refused flatly, replying: *'OK, I'll give the interview on television, but I'll hold a press conference and tell the truth about what happened.'* He said that it was only a favor that the president was asking of me, but that if I didn't want to do this, I should not. In any event, he convinced me that I should grant 'QAP' an interview, and give some very evasive answers. That was how they obtained an immediate interview for me with 'QAP,' in which I went on the air, talking.

"The following days were very tense, and things began to get out of hand. I spoke with Fernando every day. He repeated to me over and over again that I must be calm, and that the matter would be settled. He said that, as soon as the storm passed, the government would appoint me to an embassy, so that I could go abroad, and that the affair would would be forgotten in time.

"Since I was very tense, I decided to go to Europe for a few days' vacation. I also did this for other reasons. One of them was the distancing that had begun with Samper. There were very few occasions when I spoke with him or that we saw each other. Botero kept telling me that it was unnecessary for me to talk or meet with Ernesto and that, if I needed anything or had any question, I should ask him about it. I spent a few weeks outside the country, returning before Samper took office as president. The surprises began again. The invitation that they sent me was for a seat different from those occupied by the campaign board members. I was assigned to the rows in the back, where no one could see me. When I asked Fernando for an explanation, he responded: *'Don't worry about such a trifling thing; just remember that Ernesto has decided to send you to an embassy.'*

"Initially, the commitment with Samper and Botero was that the embassy to which they would appoint me would be the one in Spain. However, under the existing circumstances, Botero told me one day that the assignment in Madrid was virtually impossible. He said that it was too difficult to remove Maria Emma Mejia from that post and, besides, the EL TIEMPO columnist, Roberto Posada Garcia Pena, D'Artagnan, was a candidate to replace her.

"In view of this situation, Botero invited me to his house and told me that they had reached an agreement with the president: that I would be the ambassador to Italy, and would only have to wait a few days for Plinio Apuleyo Mendoza to resign. He claimed that they thought the assignment would be ready at the end of 1994.

"Two weeks later, Fernando Botero invited me to his house for breakfast, informing me that, at a meeting that he had held with Juan Manuel Turbay, they decided that it would be best for me to leave immediately as ambassador to Greece. At that time, I was extremely annoyed. I answered telling him that what they wanted was my departure, and that I had no intention of allowing myself to be exiled anywhere.

"I left Botero's house with the firm intention of not discussing the subject again. Two days later, Botero made another call, inviting me to David Turbay's inauguration. On that day, 31 August, when I arrived at the Palace, Fernando told me that the president had a surprise for me: that the appointment in Greece had been arranged. I became furious; I was really annoyed. President Samper took me aside, and we had a very heated discussion. Present on one side of the ministers' room where the dispute took place were: De la Calle, Horacio Serpa, Julio Cesar Turbay Quintero, and Olga Duque.

"At one point in the discussion, Samper, very angrily, told me that he did not know what was the matter with me, and did not understand why I was changing the rules of the game on him, after we had agreed upon them. His decision was that I should go to Greece, and that I would later be assigned to Italy. Furiously, I answered him saying that he was mistaken, that I was not interested in going to Greece, and that they were the ones who were forcing my departure from the country. Samper, quite irritated, told me that I was being disrespectful toward him and, in a harsh tone, added: 'Santiago, don't forget that I am the president.' I replied saying: 'Don't you forget, either, that I was the one who obtained the money for you to become president.'

"Samper left the room quite displeased and, after having read his speech at David Turbay's inauguration, returned and looked for me. We spoke for quite awhile, and he told me that we must be calm and should not fight. After this episode, I went to Europe for a month, traveling on business. When I returned, I learned that Juan Fernando Cristo had leaked to the magazine SEMANA a confidential document stating that the government would not appoint me to any diplomatic post for any reason. I also learned that Rodrigo Pardo had remarked at a dinner that, so long as he was foreign minister, there was no possibility of my being assigned to an embassy.

"During the following weeks, the pressure eased slightly, and I decided to devote myself to my businesses, which I had left neglected to engage in the presidential campaign. But matters became complicated in mid-October, when an emissary of the Rodriguez Orejuelas sought me out to deliver a message that he was bringing from them. It was a letter in which they asked me to convey a message to President Samper. They were indignant, and felt that they were being

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duped. They had participated in the financing of the campaign with the intention of surrendering to justice as soon as Samper took office. However, not only had they not found a spokesman for this, but the government, because of pressure from the United States, was persecuting them relentlessly.

"I realized that the situation was becoming complicated, and it caused me to be panicky. So, I decided to go to the Palace seeking Samper, and to bring up the problem with him. It was 13 October of last year. Ernesto did not see me that night, because there was a farewell dinner for Carlos Lleras de la Fuente, who was going to Washington as ambassador. They told me that he would return the next day to keep an appointment at 1000 hours. When I arrived, Samper was busy with Lleras de la Fuente's inauguration, and left an order for me with one of his assistants: I was to go immediately to the Defense Ministry and speak with Botero.

"I left the Palace and went to where Botero was. He was waiting for me. We met in private, and held a very heated discussion. I told him that I could no longer continue with this story, that I had no reason to keep sticking my neck out everywhere, and that the surrender of the Rodriguez Orejuelas was not my problem. But the fact that they felt that the promise made to them was not being kept, and that they were being persecuted, had left me caught in the middle, because of my having been the go-between for the money. I told him that I drew the line here, and could not remain in the world of lies in which we were caught. Botero, with his usual composure, reassured me, telling me that the Rodriguez brothers were not my affair, because he and the president were setting the policies on the drug traffic. Adding that he would handle the situation, and that I should not worry, he noted that he would be traveling on that day to San Andres with the president, and that they would find time to discuss the issue.

"My mother died the following Monday, and on that day Samper, Jacquin, Juan Manuel Turbay, and Botero were at the funeral home. The next day, at the burial, Botero was beside me representing the president. Three days later, Jacquin invited me to lunch with Ernesto at the private residence. The meeting was very intimate and very pleasant. The harshness was soothed, and we become friends again.

"In November, they invited me to the Palace again, this time to a concert. During the following weeks, I went to the Palace about four times. I would call Ernesto's secretary and tell her that I was going to visit him; then they gave an order for me to enter with my car through the private basement. The meetings always took place after 2100 hours. At that time, it would be quite unlikely for me to encounter anyone in the corridors. The visits to the Palace started to be complicated. The situation was very difficult, and it was agreed that, from then on, I had to meet only with Fernando. Thereafter, when I had any question or any concern, at any hour of any day, I only had to pick up the phone and call Fernando, and he would meet with me.

"We met with Fernando Botero every Wednesday, almost always after 2000 hours. Most of those meetings were held at his apartment, although occasionally we met in other places, such as the Oma, at the International Center, or the Gun Club.

"At one of those Wednesday meetings, Botero told me that he was quite worried about the position of the United States, which was becoming very troublesome with the stories of the campaign financing. I was terrified, and began to be very distrustful. I had the feeling that something big was coming after me, and that at any time they would catch me as a scapegoat. At the beginning of this year, I decided to document for myself everything that had happened during the campaign, and to put together the true accounts of the money that had been taken in and had never been reported in the books. The basis for that accounting consisted of the lists of collections that I had been submitting weekly to Botero, Samper, and Juan Manuel Avella. During the first week of my work, I discovered that I had documents initially demonstrating the entry of 1.2 billion pesos, and the receipts signed for me by Avella for that amount, which had not been declared in the campaign. During the following weeks, I compiled a large amount of information, and began to realize where the money given to us by the Cali Cartel had ended up.

"It was complicated work, because I never had any direct access to the accounts. I was a kind of public relations man who received the money, reporting it to Botero, and he was the one who ordered Avella to do the spending. I never had my signature recorded in any checkbook, but since I have always been a very orderly man, upon reviewing my folders and papers I found some very surprising things.

"Meanwhile, at one of the meetings with Fernando, I revealed to him the information that I had. I told him that my life was in danger and that, therefore, I had made the decision to tape a videocassette in which I related everything that had happened during the campaign. I said that I had made a record of the accounts, and had taken one of the copies of that documentation to Europe, leaving it in a safe, together with the video. I also informed him that, if anything ever happened to me, there was someone assigned abroad who had precise orders to release all that documentation

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to the international press. Fernando told me that I was exaggerating the situation, and that he was responsible for my safety. He repeated to me again the story about the embassy in Italy, remarking that the procedures were going very smoothly. At first, he told me that the appointment would be made by Holy Week; and later that, for greater security, it might occur in June. Finally, in September of this year, he claimed that they had to give Plinio Mendoza some extra time, because he had requested a few days before leaving, and that it was not fitting for the government to remove him from office before the appointed time.

"When I learned that the Prosecutor's Office intended to summon me to make a free, spontaneous statement on the subject of the financing, I decided to engage a lawyer. After considering various names, they recommended Ernesto Amezquita to me, and I selected him because his references were very good, and also because he had been Alan Garcia's attorney. Amezquita's function was to represent me legally before the Prosecutor's Office concerning the case of the T-shirts and, later, the famous check for 40 million pesos issued in my name by the Cali Cartel, which I had endorsed. I have always believed that this check was the clue planted by the Rodriguez brothers so as to leave evidence of their link with the campaign, in case they needed it some day, because all their money had been deposited in cash. In other words, they wanted insurance, in case the situation became messy.

"I gradually realized that Amezquita was a very close friend of Minister Horacio Serpa, with whom he would meet at least twice a week. The excuse that he gave involved the Association of Trial Lawyers, an organization of which my attorney was president. Amezquita belonged to the Council on Electoral Guarantees, having been appointed to it by Serpa. But the real purpose of those meetings was to decide how Amezquita was to soothe me, brainwash me, and repeat to me over and over that everything was going well, that there was no problem, etc. etc.

"However, a problem did arise. Three days before my statement to the Prosecutor's Office, the director of 'Caracol 7:30 Newscast,' Daissy Canon, called me, requesting an appointment to discuss with me the check for 40 million pesos. She was the first reporter who spoke to me on that subject. Nervously, I granted her the interview, and answered the questions. When she left, I raced to where Fernando was, telling him what had happened. He advised me not to worry, saying that he would handle it. The fact is that the information was not given on the newscast directed by Daissy, who was the one holding the check, but Yamid Amat did air the story on 'CM&.'

"In any case, the appearance of a check from the Rodriguez Orejuelas in my name complicated the situation legally for me, and politically for the government. The issue was no longer one involving T-shirts, as I had thought until then. In view of this new situation, we met in Serpa's office with Amezquita, so that they could advise me on what I should tell the Prosecutor's Office in my statement, for which I had been summoned.

"On 14 July, I appeared at the Prosecutor's Office to submit my free, spontaneous version of the check for 40 million pesos. I thought that I had come out unscathed, and went home. There, I was visited by the reporter, Mary Sheridan, from the newspaper MIAMI HERALD, who wanted to interview me. I repeated to her the same story that I had told to the Prosecutor's Office, on how I had endorsed it and sent it to the campaign headquarters in Cali. When I had finished my account, she said to me: *'Mr. Medina, aren't you tired of telling lies? Aren't you aware that the security agencies in the United States know in detail about the bank accounts associated with the campaign that are in my country? Aren't you aware that the American Government knows in detail about the money that was contributed by the Rodriguez brothers to the Samper campaign, and that this money was sent to your house, carried by Alberto Giraldo and Eduardo Mestre? Aren't you aware that they know in detail the story of Elizabeth de Sarria's diamond? How long are you going to continue telling lies?'*

"As soon as Mary Sheridan left my house, I called Botero, telling him that the gringos knew everything, and what I had just learned from a MIAMI HERALD reporter. He replied that I did not have to believe all those stories, that I should go to Girardot to rest, leaving the matter in his hands, and that as soon as he had settled it, he would call me.

"On 21 July, Fernando Botero called me in Girardot, informing me that he intended to send a friend of his the next day who would give me new information. On Saturday, 22 July, Mr. Jaime Orlando Paez arrived at my residence in the El Penon Condominium, and I received him personally. Paez talked with me, telling me that Fernando was going to a defense ministers' meeting in the United States, and that the two of them would meet there. He informed me that Fernando was interested in learning how things were going, and for that reason had sent him to visit me. The fact is, although I did not realize it, that my arrest was imminent, and it was possible that Fernando would be abroad when it occurred. Paez told me that it was advisable for us to keep in touch, and we agreed on a telephone contact between Bogota and Washington on the following Wednesday, because he would be with Fernando in the United States capital. However, he left

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me his secretary's name and telephone number, in case something unexpected happened with the Prosecutor's Office. In such an event, he indicated that I should confine myself to following the recommendations that Horacio Serpa had given me.

"On Tuesday, 25 July, I returned to Bogota. At 2030 hours that night, a day before my capture, I met again with Horacio Serpa, at his office in the ministry. There, we discussed everything associated with the problem. Serpa was very knowledgeable on what was happening, because we had often met with him and with Fernando to analyze the situation. I really had more confidence in Horacio than in Fernando, because he was more realistic. That night, Horacio informed me that they were very much afraid that, on the day that I went to expand on my story again at the Prosecutor's Office, I would run the risk of being left imprisoned. However, he told me that, if that happened, I must remain calm, and that they would be working on the legal aspect to secure my release. At that point, my heart stopped. I realized that I was the only one who did not know what was going on, because they were constantly reassuring me. But, in response to Horacio's comment, I told him: *'I am not going to be the fall guy. My circumstances are quite different. If you do not solve this in time, my loyalty to the president and the government will end there.'* I made it clear to them that I would not allow them to imprison me, and would not remain silent; nor would I let them foist all the blame on me, while they continued governing. Serpa became upset at this statement. In a forceful tone, he told me to be calm because, if I talked, I would be the one most harmed. Specifically, he asserted: *'Santiago, never forget that the president is the president.'* Before finishing, he told me that he would talk to the prosecutor on the next day, because they would both be traveling to Apartado. He said that, on the plane, he would try to find a way of asking him what was going to happen to me, and how they could make arrangements to avoid mishaps. Before we took our leave, he told me that, on Wednesday night, we would meet again to see how things stood.

"At 1645 hours on Wednesday, 26 July, several members of the Prosecutor's Office appeared at the caretaker's booth at my house, including Dr. Hernan Jimenez, director of the Technical Investigations Corps. He asked for me, telling my secretary that he had come on official business. She located me, informing me of what was happening at my house at the time. She also called my attorney, Dr. Amezquita, so that he would appear and deal with them while I was on my way home. At the time, I was three blocks away from there, at the apartment of a female friend, keeping the telephone appointment with Washington that we had agreed upon with Jaime Orlando Paez. Since all the telephones had been tapped, I decided not to place the call from my house. I called Washington, and Paez' mother answered, informing me that he was not there, and that I should call him the next day.

"This was the situation when my attorney called me on the cellular phone, telling me to appear at the house, and that the Prosecutor's Office had simply come with a notification order, and nothing else. The fact is that they were carrying an arrest warrant, but Amezquita was trying to ease things for me. As soon as I learned the real circumstances, upon arriving at my house, I panicked. Nevertheless, the agents from the Prosecutor's Office treated me cordially, bringing me a physician to examine me, and giving me over an hour to organize my personal effects.

"While they were taking me, in custody, in the Prosecutor's Office car to the DAS [Administrative Department of Security], a call arrived on the cellular phone belonging to Amezquita, who was seated beside me. It was from Horacio Serpa, who asked my attorney to hand me the phone. He did so, and Horacio advised me to be calm, saying that they would do everything possible to have me released quickly.

"Upon my arrival at the DAS, I was faced with the sheer reality of spending a night in a cell. I was totally baffled. That night, Ramiro Bejanaro entered the jail where I was being held, doing so about 2300 hours. He told me that he had been in Cali, and that President Samper made him return so as to talk to me. He claimed that my situation would depend largely on what I said the next day at the Prosecutor's Office. My reply to him was that this depended on them: that if they helped me, they would have no problems, but if they left me alone, and I went to jail, my loyalty to the president and Botero would go as far as the first step that I set foot on at the Prosecutor's Office. He asked me whether that was a threat. I replied that it was not, but that it was simply a warning.

"The next day, they took me in Bejarano's armored car to the Prosecutor's Office. When I arrived there, Amezquita who, in fact, was working more for Serpa than for me, tried to disrupt the unsworn statement, because they asked me some very direct and compromising questions based on the testimony that Andres Talero, the ex-consul in Miami, had given on 20 July. The proceedings were suspended, and Amezquita informed me that he was going to travel to Cali to deal with some personal affairs, and that, when he returned, we would prepare the entire defense by Tuesday. I agreed with him but, as soon as he left, and I was alone, I sent a message to Dr. Armando Sarmiento, national director

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of Prosecutors' Offices, informing him that I had made the decision to tell the truth. On Friday, 28 July, I requested a court-appointed attorney, and they assigned Dr. Oswaldo Sepulveda, whom I did not know, to defend me. Now that I had him, and was rid of Amezquita, I became calm and began telling everything. I requested that they allow me to speak with a person trusted by me, so that he could bring all the accounting papers, receipts, vouchers, memoranda, and photocopies of the checks. During my statement, I submitted over 400 documents. I think that I spent virtually over 10 hours in front of the faceless prosecutors. At the conclusion of that entire process, I felt that I had a weight lifted from my shoulders."

Ecuador

Impeachment Proceedings Against Vice President Begin

PY0310011695 Madrid EFE in Spanish
2310 GMT 2 Oct 95

[FBIS Translated Excerpt] Quito, 2 Oct (EFE) — Proceedings involving impeachment for presumed corruption began today in the unicameral Congress against Ecuadoran Vice President Alberto Dahik. Party members have not been allowed in Congress, although radio and television stations are broadcasting live from the session hall.

Three days ago, Dahik was called upon by Ecuadoran President Sixto Duran-Ballen to resign, a petition which is not mandatory, but the vice president is expected to respond to this call or summons as the "impeachment" proceedings develop. [passage omitted]

The first day of the so-called "impeachment of the century" began at 1700 (2200 GMT) and will continue until midnight, according to Congress President Fabian Alarcon.

Alarcon has warned that any show of "lack of respect" during the session will be "punished," and has invited the citizens to become "a powerful instrument of control of state institutions, and, as judges to whom no appeal can be made, to witness the behavior of each lawmaker."

Some 500 conservative demonstrators, followers of Dahik, and representatives of union and student organizations demanding the dismissal of the vice president gathered separately outside the legislative palace, closely watched by the police. [passage omitted]

During the development of the impeachment proceedings against Dahik, a heart specialist, a medical doctor, and other experts will be ready to take action in case of any medical contingency.

The congressional clinic will be ready for any emergency, and a heart specialist and another medical doctor will take turns to ensure a permanent presence in the plenum session hall throughout the entire impeachment process.

Two dentists, a nurse, a nurse's aide, a social worker, and support personnel complete the congressional medical team, which normally treats the deputies for hypertension, although the team members have handled cases involving heart problems and even delivered a baby, in the case of a secretary.

Dahik: 'Victim' of Anti-Innovators

PY0310030395 Madrid EFE in Spanish
0107 GMT 3 Oct 95

[FBIS Translated Text] Quito, 2 Oct (EFE) — While defending himself in the impeachment process started against him in Congress today, Ecuadoran Vice President Alberto Dahik today said he was a "victim" of those who are against innovations and that he is being "politically harassed" by certain congressional groups.

As he started defending himself, Dahik said: "I have come in my capacity as vice president," seemingly referring to the request made on Friday, 29 September, by President Sixto Duran-Ballen for him to resign, a request he asserted he would answer today.

After noting that he was appearing before Congress in view of his commitment to the Ecuadoran people, the "true judges" of his acts, Dahik recalled that he engaged in politics "with new ideas" that, in 1986, prompted a first impeachment against him and his dismissal as finance minister under Social Christian President Leon Febres Cordero.

"I have been through this experience before, and I'm proud that it was for promoting changes," stated Dahik while defending himself before Congress, which has based its motion of censure against the vice president on charges of alleged bribery and crimes against national dignity.

Alberto Dahik said he would use the eight hours at his disposal in the first phase of his defense "without hatred nor desire for revenge," and that the arguments upholding his innocence will be divided into four phases.

During the first phase Dahik juridically assessed the charges against him and tried to prove there are no legal grounds to carry out the impeachment, asserting that he has not violated the Constitution.

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He also said that the congressional report on probable cause drafted by a very special commission, a document on which the impeachment is based, lacks legal grounds.

According to the vice president, the alleged crimes against national dignity have not been proven, and he referred to a pronouncement in the past of the Court of Constitutional Guarantees that states that the alleged causes "are not clear enough."

After making the congress secretary read many articles of the Constitution and the rules concerning the legislative role, and after interpreting them before the deputies, the vice president posed several questions to discredit the charges of bribery brought against him.

The accusation of bribery is based on remarks Dahik made "off the record" [preceding three words in English] on 5 June before national reporters to the effect that the executive branch had to "pay" several lawmakers for the approval of several policies in its interests.

After stressing the fact that bribery "requires two parties," Dahik asked — following the applause by the conservative government group — "how the accused party can become the judge," referring to the fact that the lawmakers making the accusations could also be involved.

The vice president will resume the second part of his defense after a 15-minute adjournment, which he requested because he had spoken for more than two hours without stopping.

During the second part, Dahik is expected to say the "truth about the political persecutors who have plotted the infamies" against him, especially the Social Christian Party, the largest congressional group.

The third stage of his defense will be dedicated to making references to the issue "of expenditures of discretionary funds." A criminal action has been initiated against him at the Supreme Court of Justice because of the illegal use of these funds.

In concluding his eight-hour speech, Dahik said, upon beginning his defense today, that he will make some assessments of the country."

The impeachment proceedings against the vice president of the Republic, which are keeping the entire country on tenterhooks, will be a long question and answer process that will last at least a week.

Minister Calls For Cabinet To Resign

PY0210170395 Madrid EFE in Spanish
1539 GMT 2 Oct 95

[FBIS Translated Text] Quito, 2 Oct (EFE) — Jose Vicente Maldonado, Ecuadoran industry and commerce minister, will promote the collective resignation of the cabinet in view of the serious political crisis affecting the country.

Maldonado said today: "Irrespective of the results of the impeachment (process against Dahik), it is mandatory that the entire cabinet tender its resignation. I will be the first one to do so in order to leave President Sixto Duran-Ballen in complete freedom to reorganize" the government.

Ecuador is experiencing the worst political crisis in its democratic history. The crisis began two months ago with the raising of corruption charges against Vice President Alberto Dahik.

Dahik, considered the mastermind of the economic reform program, is facing penal proceedings conducted by the Supreme Court on charges of misuse of discretional funds and an impeachment process in which he must testify today on charges of bribery and offending the nation's honor.

Parties Contemplate Impeaching Duran-Ballen

PY0310032695 Madrid EFE in Spanish
0121 GMT 3 Oct 95

[FBIS Translated Text] Quito, 2 Oct (EFE) — Deputy Lino Sanchez, from Ecuador's Democratic People's Movement [MPD] (a leftist party), announced today that he will propose the impeachment of President Sixto Duran-Ballen, whom his party accuses of having been aware of Vice President Alberto Dahik's corrupt practices. Congress is currently conducting impeachment proceedings against the vice president.

Sanchez declared to EFE news agency: "We deem that things have taken place under his (Duran-Ballen's) very eyes and with his connivance."

In a seeming move to abate the feeling of political instability, the Ecuadoran head of state requested that Dahik tender his resignation on 30 September. The vice president has not yet acquiesced in this request.

Dahik is facing, as of today, a motion of censure in Congress on charges of bribery and of having seriously affected Ecuador's honor by having publicly acknowledged that the incumbent administration had bowed to "blackmail" by judges, deputies, and other government officials to prevent executive branch initiatives from being rejected.

Concurrent with this, the vice president is facing criminal charges for having embezzled the discretionary expenditures assigned to the vice president.

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Duran-Ballen "is implicated in this affair. This is why our party has decided to impeach him." The MPD will soon formalize this proposal.

Sanchez also accused Alicia and Susana Duran-Ballen, the president's daughters, of being "the main destroyers" of marine resources and of "having erected huge mansions with money that belongs to the people," something which constitutes acts reflecting "excesses and the squandering of public funds, which is, in turn, an affront to the people who are dying of starvation."

Santiago Bucaram, a deputy from the Ecuadoran Roldosist Party (PRE, a populist party), which is also impeaching the vice president, told EFE that "we are studying the possibility (of impeaching Duran-Ballen) according to the legal and political climate Dahik's impeachment will create."

He added: "If the party responsible for bribery is the president rather than the vice president, we will make the appropriate legal decision at that time."

A third party, the Ecuadoran Revolutionary Popular Action (APRE, a center-left party) is also studying the possibility of joining forces with the other two parties in requesting the president's impeachment.

APRE Deputy Gustavo Larrea told EFE that that will depend "on the evidence submitted by the vice president, as this evidence will serve to support or discard a possible impeachment of the head of state."

Commenting on Dahik's impeachment, which started today, Larrea said that he has so far not rejected the charges of bribery and damage to his homeland's honor.

The foregoing charges, together with high treason, constitute the only three causes stipulated in the Constitution empowering Congress to impeach the president and vice president of the Republic.

Larrea dismissed Dahik's remarks to the effect that he is the victim of the Social Christian Party (PSC, a right-wing party), one of the political parties that demanded his impeachment.

Larrea recalled that Dahik was finance minister and head of the Monetary Board — an agency in charge of designing economic policy — under former President Leon Febres Cordero (1984-88) — a leader of the PSC.

The APRE deputy underscored: "Dahik is an accessory to the PSC, since, during the PSC administration, citizens' rights were violated. More than 100 citizens were murdered; many people were tortured and reported as missing. He is well aware of all those cases, and we expect him to reveal them (during the impeachment) for the sake of the Republic."

The MPD, PRE, and APRE together have more than 10 seats in the Chamber of Deputies, the minimum required by the Constitution for accepting any request for an impeachment.

Groups Consider Holding Constituent Assembly To Remove Government

PY3009012695 Madrid EFE in Spanish
2143 GMT 28 Sep 95

[FBIS Translated Text] Quito, 28 Sep (EFE) — In view of a "total crisis," Ecuadoran social and union organizations acknowledged today that they are discussing the possibility of summoning a constituent assembly to remove the administration headed by President Sixto Duran-Ballen.

Juan Andrango, president of the United Workers Front (FUT), the most powerful Ecuadoran union, said that "it is feasible to summon a constitutional assembly to draft a new constitution." He admitted, however, that there are legal problems and also "essentially those dealing with democratic principles."

The idea of holding a constituent assembly was proposed by former President Rodrigo Borja (1988-1992), a social democrat who believes that the "total crisis" brought on by alleged corruption cases involving the three branches of government have jeopardized "the life of the nation."

The proposal to summon a constituent assembly gives it the power to temporarily dissolve the three branches of government; to cut short the administration headed by the conservative Duran-Ballen, who was elected for the 1992-1996 government term; and to draft a new constitution.

FUT Leader Andrango added that any constituent assembly "must necessarily represent civilian society."

Ivan Narvaez, representative of the Ecuadoran Social Movements Coordinating Board [Coordinadora de Movimientos Sociales de Ecuador] and secretary of the Oil State Company Workers Union (ASPEC) [Empresa Estatal de Petroleos], has warned that traditionally in Ecuador all constituent assemblies have been the center of expression and consolidation of hegemonic power groups but that they did not represent society.

Moreover, in his effort to justify the urgency in holding a constituent assembly, former President Borja has told EFE: "What is at stake here is the present and future of Ecuador. I am not exaggerating; everything is rotten and corrupted in this country."

Alluding to a penal and congressional trial for alleged corruption against Vice President Alberto Dahik and to

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another trial involving the president's relatives, Borja said that "this is the first time ever that we are experiencing such a serious crisis" at the economic and social levels, "and in particular a moral crisis."

He said: "We have reached such levels of corruption and ineptitude in handling government affairs that are unprecedented in our history. The Presidency is vacant."

Official Finds New Irregularities in Discretional Funds

PY3009011495 Madrid EFE in Spanish 0008 GMT 28 Sep 95

[FBIS Translated Excerpt] Quito, 27 Sep (EFE) — Comptroller General Juan Carlos Faiduti today announced that while auditing February and March disbursements he has detected new irregularities in the vice president's discretional funds which cannot "be allotted to the discretional funds account."

Faiduti informed the local press that all expenses allotted to the discretional funds must be justified, otherwise the funds and the respective interest must be reimbursed to the national Treasury.

Faiduti did not provide details about the irregularities he detected, but he said he is only legally entitled to review the receipts and to affirm whether or not these expenses can be allocated to the discretional funds account.

In view of this, he reasserted that the "microfilms" [preceding word in English] of the checks issued to the vice president's discretional funds accounts never reached his hands because these can only be reviewed by the bank superintendency office.

In addition, Faiduti regretted Supreme Court President Carlos Solorzano's decision to indict and order the preventive custody of Bank Superintendent Ricardo Munoz on charges of obstructing court investigations. [passage on covered material omitted]

Political Crisis Affecting Financial Markets, Economy

PY2909223195 Quito Voz de los Andes in Spanish 1700 GMT 29 Sep 95

[FBIS Translated Text] The Ecuadoran political crisis is causing the country's economy serious problems despite the efforts being made by the authorities of the monetary sector to calm the economic agents.

The country's image in the international markets is also affected by the corruption charges against Vice President Alberto Dahik, mastermind of the economic program.

Finance Minister Ivan Andrade has stated that in the international sphere, the country's political leadership in general has always affected Ecuador's image because it is considered an unstable country.

For the past two months Ecuador has endured a deep-rooted political crisis focused on the vice president, whom the Supreme Court of Justice will prosecute on embezzlement charges. In addition to this he will be impeached by Congress on 2 October for allegedly bribing deputies and judges.

Ana Lucia Armijos, president of the Monetary Board, stated that unfortunately, the current political crisis harms our image abroad because in order to attract foreign investment a country needs not only a sound economy but political stability as well.

In view of this situation, the financial markets have reacted nervously due to the uncertainty caused by the possible dismissal of Vice President Alberto Dahik and the effect this would have on Ecuadoran economic reforms program.

During the past few days the exchange market has been on the rise while interest rates continue to be high. This will cause a great contraction of the productive sector.

Armijos went on to say that one economic indicator will absorb what the country is experiencing and that in this case interest rates are unfortunately the one.

She admitted that for the past two months interest rates have been at an inappropriate level — at very high levels, which have consequences for the productive sector.

As if this is not enough, the Ecuadoran economy is facing the worst power crisis in 15 years, which forced the government to declare a power emergency on 28 September.

Armijos said that the energy crisis will undoubtedly affect economic growth estimates. At the beginning of the year, the Ecuadoran Government estimated that the economy would grow 5 percent but in view of the border conflict with Peru, it was compelled to revise its estimates and bring them down to more modest levels.

Despite existing problems, Armijos reasserted that the government has no plans to change its goal of achieving a 20 percent inflation rate and an exchange rate of 2,740 Sucres per dollar by the end of the year. She added that the government's goals regarding the inflation and exchange rates will not be changed.

Although those involved in the financial markets want to believe that the economy will not be seriously affected by the political crisis, there are still many doubts.

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A leading foreign bank official who refused to be identified said: We hope this will not destroy successful government policies which have resulted in the curbing of inflation and the possibility of achieving sustained economic growth. These measures were undermined by the uncertainty caused by the border conflict, but the current crisis is not helping either.

Electoral Board Official on Plebiscite Arrangements

PY2909203995 Quito Voz de los Andes in Spanish 1700 GMT 27 Sep 95

[Interview with Medardo Olea, vice president of the Ecuadoran Supreme Electoral Board, TSE, by Edwin Chamorro; place and date not given]

[FBIS Translated Excerpt] [Chamorro] Could you tell us how the arrangements for, the organization of, the upcoming plebiscite summoned for November are progressing?

[Olea] They are developing in an orderly manner. We have established a working plan which we are strictly fulfilling because for us a plebiscite is the best example of democracy at work and we don't want it to fail. Undoubtedly, there are problems we must face, particularly the scandals that are a matter of public knowledge, especially those related to corruption, and the case involving the vice presidency of the Republic, which put the plebiscite in third or even fourth place as far as news is concerned.

People find it more interesting to follow what is declared during the criminal trial being heard at the Supreme Court of Justice than to discuss concrete subjects. In view of this, we want to make an appeal. The country cannot live with one pending scandal after another. If the Court is currently hearing a concrete case such as the administration of discretional funds, let the Court calmly administer justice and render judgments if it believes it necessary. But we mustn't forget that there are other important issues that must be discussed. For example, there is a proposal that will be raised during the plebiscite that seeks to solve certain problems, certain obstacles we face in various sectors, such as the administration of justice, the constitutional court. These are things we must assess. The TSE summons us to engage in what would be the habit of debate. Those people who are for a Yes-vote should state their reasons, as should those who are for a No-vote. But the people must state their reasons, and not just cast a No-vote merely for the sake of doing so. We want individuals to give the reasons why they vote Yes or No, so that the people may give their verdict after learning what certain sectors of the citizenry believe. [passage omitted]

[Chamorro] What about the publicity campaign for this plebiscite for which the TSE is responsible? Is there still time to publicize it, and what methods will be used? According to polls conducted by some enterprises, the ordinary citizen is rather confused.

[Olea] In this regard there are some taboos. For example, there is the belief that the people know nothing. I ask those who conduct the polls how the people are going to be informed if the publicity campaign has not even started. Moreover, they say it is too complicated. What are they talking about? We have been talking about the decentralization process for the past three years, and about social security for the same length of time. Everybody is aware of these subjects. Who wouldn't want to give an opinion on, for example, the paralysis of public services that permanently affects the people? [passage omitted]

[Chamorro] As for the budget, is the government giving the TSE authorities the necessary funds in a timely manner to organize this plebiscite?

[Olea] The government has only given us 5 billion sucres. We hope that the new finance minister will honor the TSE's needs because we can't do this difficult task without the necessary resources. We will only meet in a few days time, because we respect the fact that the new minister has only been in his post for two days. We deem it only fair not to pressure him with requests.

[Chamorro] Another subject we wanted to discuss with you is next year's elections. Some candidates have already begun their campaigns, and the novelty is that independent candidates, who do not belong to any party, will run for next years elections. What does the law say about the independent candidates?

[Olea] This is one of the most difficult problems the TSE faces, because less than 100 days before the government must officially call for elections, Congress has still not amended the electoral law and set the rules for the participation of citizens not affiliated with any political party, or for reelection. Look, once Congress modifies the electoral law, we have to start preparing the draft reform and submit it to the president of the Republic. Only then can we start informing the people about the mechanisms, the requirements, for their participation. But right now we have no law, nothing. We are living in chaos, and only a few months before the official call for elections is to be made. In addition, there are other problems. Congress wants to modify the TSE, and it has not even modified the electoral law. See what happens when things are not done in a responsible and conscientious manner, and the TSE has to work with this uncertainty to guarantee the citizenry's will. [passage omitted]

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Economic Groups: Political, Energy Crises Causing Economic Losses

PY0210123895 Madrid EFE in Spanish 1945 GMT 28 Sep 95

[FBIS Translated Text] Quito, 28 Sep (EFE) — Representatives of economic groups today charged that the political and energy crisis affecting Ecuador has resulted in a deceleration of the economy, reduced economic growth estimates, canceled investments, and doubled losses.

In addition to the political scandal that flared up a month ago over alleged corruption charges raised against the vice presidency, Ecuador is also affected by a nationwide energy crisis that has resulted in power rationing plan of up to eight hours per day as of two months ago.

Andres Perez, president of the Quito Chamber of Commerce, told EFE today: "The impact of the two crises is detrimental to commercial and production activities." He added: "We have witnessed a deceleration in the entire production apparatus."

Perez said: "The 1995 growth rate was originally estimated at 6.5 percent of the GDP. Later it was lowered to 3.5 percent and now we estimate it will not surpass 2.5 percent."

At the start of the power rationing program, Perez estimated that economic losses would total $800,000 per day, but he said that in view of the prevailing political crisis and the deceleration of the economy "these losses have increased." He said he now believes they are about $1.6 million per day.

Gustavo Pinto, president of the Pichincha (Quito) Industrial Chamber, asserted: "Since the start of the political crisis, interest rates have increased by 10 points, medium-term credits have disappeared, and there is no willingness to invest."

Pinto added: "The uncertainty the created by the crisis has compelled the Central Bank to intervene in the exchange rate market several times in the last few months." He said this shows "we are experiencing a severe political crisis which seriously affects the national economy." Furthermore, he said: "The future is uncertain."

Pinto believes the crisis particularly affects "the food, services, and clothing markets, and there is also a major decrease of industry supplies because industry has been severely affected." He said consumption has experienced "a sharp decrease in view of the uncertainty prevailing at the political and economic levels, and of the energy crisis."

Finance Minister Ivan Andrade, who was appointed last week after Congress removed his predecessor Mauricio Pinto, acknowledged there is "uncertainty" internationally about the Ecuadoran situation.

To solve this both Perez and Pinto demanded "urgent measures to resolve the energy crisis," and a "brief but fair" trial of Vice President Alberto Dahik who is facing penal charges for the alleged mishandling of discretional funds.

Perez said: "The vice president's image will be seriously affected whatever the outcome of the congressional proceedings" which start on 2 October and which may result in Dahik's impeachment on charges of bribery

In view of this, Perez said: "It may be a good alternative for Dahik to consider resigning — not because he is guilty" but "to restore the much-needed peace to the country."

Army Chief: Peruvian Press 'Enemy' of Peace Process

PY3009011895 Madrid EFE in Spanish 2348 GMT 28 Sep 95

[FBIS Translated Text] Quito, 28 Sep (EFE) — Ecuadoran Army Chief Paco Moncayo today charged that part of the Peruvian media has become "the true enemy of the peace process" currently being implemented by Peru and Ecuador. In view of this, General Moncayo requested the Peruvian media to adopt an attitude in keeping with the atmosphere of detente that the two countries are currently upholding.

Moncayo was alluding to Peruvian press reports which were viewed in Quito as an intention to relate the undeclared war that Ecuador and Peru waged at the beginning of this year over an unmarked border area with the political scandal that is currently affecting Ecuador.

Ecuador and Peru waged a war over an unmarked Amazon border region from 26 January to 28 February.

According to these reports that Ecuadoran Army chief is responsible for implementing an alleged plan to use part of the discretional funds allotted to the Vice Presidency to bribe journalists so that they may disseminate reports supporting the Ecuadoran territorial claims.

Ecuadoran Defense Minister Alfonso Alarcon also signaled Peruvian television journalist Beto Ortiz as one of the "conflictive elements" obstructing the Ecuadoran-Peruvian peace process. Moncayo also described the reports as "insulting" and added that these reports intend to predispose both the Ecuadoran and Peruvian military and civilian societies.

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According to the military, these reports also seek to involve the Army in the political scandal affecting Ecuador.

Ortiz recently visited Ecuador, and after his return to Peru he charged he was mistreated by the military, something which both Moncayo and Alarcon have categorically denied.

Bank Officials on Banking, Financial Problems

PY0210190595 Madrid EFE in Spanish 1730 GMT 24 Sep 95

[FBIS Translated Text] Quito, 24 (EFE) — According to economic experts, the relative stability of savings levels and an increase in the credit demand are not enough to overcome the current atmosphere of concern prevailing in the Ecuadoran banking and financial system in view of the increase of unpaid credits in portfolio.

During the first eight months of 1995, private bank deposits increased from $3,061 billion to $3.546 billion — an increase of 15.82 percent.

Credits granted by private banks increased by 15.23 percent by growing from $3.137 billion in January to $3.626 billion in August.

According to Financorp Bank manager Marcos Viteri, total unpaid credits jumped from $202.3 million to $300. Many clients have stopped paying their debts hoping they will be able to renegotiate them when the current trend of hikes in interest rates, which currently stand at 60 percent, reverts.

In a statement published today by newspaper EL UNIVERSO, Viteri said that the debt level depends a lot on the sector, how it was affected by the Peruvian-Ecuadoran war waged at the beginning of the year, and on the current daily power cuts.

He said: "There is a shortage of liquidity in the economy in general. This is why interest rates are high. Of course, the political factor is also causing uncertainty and people do not know what to do. They would rather wait and see."

He added that moreover, there is a concentration of savings in a few banks, in addition to the proliferation of financial institutions.

Viteri concluded: "Some financial institutions convey despair. If a bank offers a 17 percent interest rate on dollar deposits it is because it is either desperate, it lacks access to credit lines, or because it does not recover its funds."

Moreover, Ernesto Hidalgo, chairman of the Tungurahua Finver-Bank Group, told EL UNIVERSO that national production was affected by the war with Peru and the power cuts. He added that both of these situations have caused the banks portfolios to deteriorate.

Hidalgo said: "The banks are trying to be calm and to manage their portfolios prudently.... We believe that as the political problems subside, we will experience an economic reactivation and that economic stability will be achieved."

Vice President Alberto Dahik is facing impeachment proceedings by Congress on corruption charges and penal proceedings by the Supreme Court for the alleged mismanagement of discretional funds.

Hidalgo said: "The most important thing is for the country to return to normal after the political storm. We do not need to restore economic stability because we never lost it, but political stability must be restored. The uncertainty of the upcoming election year is categorically affecting production."

Ecuador is scheduled to hold general elections for president and Congress in May 1996.

Ernesto Hidalgo believes that high interest rates are not the result of a whim of private banks but of high interest rates on savings. This is not only affecting the bank portfolios but their profit plans.

Hidalgo said: "The entire Ecuadoran banking sector will experience problems with their overdue portfolio and....

Paraguay

National Police Chief Confirms Presence of Hezbollah Cells

PY0210153495 Asuncion NOTICIAS in Spanish 30 Sep 95 pp 48, 49

[FBIS Translated Excerpt] Referring to U.S. State Department reports that there are Hezbollah cells in various Latin American countries, including ours, Superintendent General Mario Agustin Sapriza Nunes, the National Police commander, emphasized that the National Police have total control over the Arab community in order to prevent possible terrorist actions. He explained that Hezbollah members living in our country "are not currently active." The city of Ciudad del Este represents the nucleus of the Arab community in Paraguay, and members of this terrorist organization live there.

U.S. State Department reports on the existence of Hezbollah terrorist organization cells in our country was confirmed by Superintendent General Mario Agustin Sapriza Nunes, the National Police commander.

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The police chief yesterday told NOTICIAS: "We received this information some time ago and are controlling the Arab community in our country in order to prevent any action by these people."

The U.S. State Department states that there also are Hezbollah cells in Argentina, Brazil, Venezuela, and Colombia, among the Arab cells in those countries.

Sapriza Nunes said the Arab members of this terrorist movement "are not currently active." [passage omitted]

Colorado Party Electoral Court Membership Viewed

PY2909163095 Asuncion ULTIMA HORA in Spanish 22 Sep 95 p 4

[FBIS Translated Text] Impartiality with respect to the different Colorado Party movements, respectability among Colorado Party followers, and the capacity to handle conflicts were three of the main requisites that the leaders of the four movements who negotiated the "Colorado peace" at the presidential residency established for candidates for the Colorado Party Electoral Court.

Of the five members that were ultimately elected, however, some had a history of militancy in factions that competed among themselves before the 1992 primaries, which ended in the great crisis that has lasted up to the present.

In this context, Marina Ortiz de Aquino has been a legislator and a follower of what was then called the "Autonomous" faction, and is today called the "Colorado Reconciliation" movement, headed by Luis M. Argana.

Diogenes Latorre was, until a short time ago, a member of the Court of Discipline. He is thought to lean toward Argana's faction.

Efrain Enrique Gamon was a follower of the movement headed by the late Edgard L. Insfran. He later positioned himself very close to then Colorado Party President Luis M. Argana.

Gamon was also a technical adviser of the executive board headed by Blas N. Riquelme and then by Eugenio Sanabria Cantero.

Numa Alcides Mallorquin was a member of opposition groups that, before and after the 1989 coup, participated in the activities of democratic factions that included the Mopoco [Colorado Popular Movement], Codem [Democratic Coloradism], Ethics Movement, etc.

Pedro Hugo Pena, the fifth member of the electoral court formed by consensus, comes from an active branch of the Traditional Movement faction what used to be headed by the late Colorado Party leader Juan Ramon Chavez. He did not participate in the events before or after the great fight between Colorado Party factions that followed the 1992 primaries.

Those elected by consensus to integrate the electoral court will administer the upcoming primaries and will have jurisdiction over party matters in municipal elections and, later, in the 1998 presidential elections.

There are also five alternate members: Mario Estigarribia, Fulgencio Aldana, Dionisio Nicolas Frutos, Martina Cardenas, and Atilio Gomez Grassi.

Last night new court members Pedro Hugo Pena, Marina Ortiz de Aquino, Gomez Grassi, and Dionisio Nicolas Frutos had their first meeting.

Peru

Fujimori Stresses Role, Objectives of Armed Forces

PY0310011995 Lima EL COMERCIO in Spanish 25 Sep 95 p A4

[FBIS Translated Text] In his message on the occasion of the Institutional Day of the Peruvian Armed Forces, Peruvian President Alberto Fujimori has affirmed his full support for the military institutions and promised to fulfill the government objective of improving the living standards of all Peruvians.

He said: "Democracy, more than a government system, is a living reality, and we will continue working side by side with the Armed Forces for the sake of that reality."

The president spoke to an audience comprised of public and military officials from the Army, Air Force, and Navy who gathered at the Army headquarters esplanade.

Fujimori mentioned the "awareness of the fatherland" as a decisive factor for the speed and quality of the changes that had taken place in the country within the framework of the reconstruction process seeking a national takeoff.

Fujimori said: "Peru will not stop in this process, which has left behind the ungovernability and unfeasibility that characterized great periods of its republican life. There should be no islands on the path toward development and national greatness."

He did not conceal his satisfaction over the fact that today the exercise of power is synonymous with law and order in the country.

President Fujimori added: "Disorder and anarchy have withdrawn, and our main objective now is to eliminate any trace of insecurity or lack of tranquillity. We want and we seek a respected and respectable state, a state with feeling and responsibility, efficient and purveying."

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He added that the results of his decision to face national problems show that there was no mistake whatsoever in this goal, "even with regard to important institutions."

He added: "Each measure the government adopts is none other than a piece of a realistic development strategy, of a consistent strategy whose origin is the mental clarity of the men who live and think for the Peru of the 21st century.

He also stressed the role of the Armed Forces on behalf of national progress, "caring for the poorest sectors, without disregarding national defense, mobilizing 'bulldozers,' cargo planes, or hospital ships."

At the end of the main ceremony, Fujimori was decorated by the Independence Founders Society, founded in 1857, with the silver medal "Outstanding Defender of the Fatherland."

The protocol ceremony was held at the Marshal Caceres Hall of the Army General Headquarters, and was presided over by the chairman of the institution, Manuel Salazar Elespuru.

In his speech, Elespuru mentioned President Fujimori's firmness and decisiveness in evicting, "without arrogance, without show of force, but firmly," the Ecuadoran invading troops who illegally occupied part of the national territory.

He recalled the president's decision to visit the zone of conflict and face the dangers of combat, thus raising the fighting spirit of the troops amidst the uncomfortable setting and environment of the jungle.

Remains of Military Personnel Found on Ecuadoran Border

PY0210212795 Madrid EFE in Spanish
0437 GMT 28 Sep 95

[FBIS Translated Text] Lima, 27 Sep (EFE) — The remains of one Peruvian captain and three soldiers, who died during the war between Peru and Ecuador from 26 January to 28 February, were found in the border zone between the two countries.

The bodies were found in a field in Peruvian territory full of mines planted by the Ecuadoreans. This information was disclosed by General Carlos Indacochea, commander of the 32d Infantry Division, in statements made in the northern town of Trujillo that were disseminated by ANDINA press agency today.

Indacochea said that the bodies are those of Captain William Guzman Espinoza and three unidentified soldiers.

He added that, according to the military authority of the border zone, the captain and soldiers were members of a patrol that was guarding the border in January, and that they were the first Peruvian victims of the war.

Indacochea said that the remains are at a site in the Cenepa River zone that is hard to access, due to the threat that the mines planted by Ecuadoran troops represent.

He said that the zone is being inspected and a path being opened in order to reach the site and rescue the remains of the four Peruvians, found seven months after the end of hostilities in the border region of the Condor mountain range, an area in which the two countries clashed due to a border dispute.

Peru and Ecuador are currently working in the search for peace, a process that is being overseen by a mission of observers of the 1942 Rio de Janeiro Protocol guarantor countries (Argentina, Brazil, Chile, and the United States). This protocol established the borderline between the two countries.

Uruguay

Interior Minister Departs For Beijing INTERPOL Meeting

PY0210212895 Madrid EFE in Spanish
1545 GMT 1 Oct 95

[FBIS Translated Text] Montevideo, 1 Oct (EFE) — Police spokespersons told EFE today that Uruguayan Interior Minister Didier Opertti has traveled to the PRC, where he will participate in the annual INTERPOL world conference, with the objective of strengthening international relations.

Representatives from more than 100 countries will participate in the four-day INTERPOL meeting, which begins on 2 October in Beijing.

The Uruguayan delegation also includes Inspector Sidney Ribeiro, INTERPOL-Uruguay's director, and Inspector Eduardo Molina Ferraro.

At the conference, Uruguay will submit, as an issue, the need to expand and increase international and regional relations and agreements in order to fight crime more efficiently.

The INTERPOL offices "maintain a permanent contact and reciprocal cooperation for the identification and arrest of persons, but the criminals can increasingly count on more sophisticated material for use in carrying out forgeries and other crimes. Therefore, it is necessary to maintain a permanent evolution of ties and contacts with the more developed countries in the fight against organized crime," the spokespersons said.

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During the past few months, Uruguay has strengthened its relations with its Common Market of the South (Mercosur) partners, Argentina, Brazil, and Paraguay, in order to fight crime and to improve the equipment of its Police Force with materiel that has arrived from the United States and Spain.

Armed Forces Chiefs 'Excused' From Honoring Cuba's Castro

PY0210134895 Montevideo Radio El Espectador Network in Spanish 0900 GMT 2 Oct 95

[FBIS Translated Excerpt] The commanders in chief of the Army, Navy, and Air Force will not participate in ceremonies or protocol activities for Cuban President Fidel Castro during his visit to Uruguay. These ceremonies are routine when a head of state visits the country.

EL OBSERVADOR publishes the news today. The daily cites official and military sources.

The sources said the government has excused the commanders in chief of the Armed Forces from the obligation to participate in these ceremonies in view of their sensitivity toward the Cuban regime, and particularly toward Cuban President Fidel Castro.

The government made this decision last week. It seeks to spare the military chiefs from possible uncomfortable situations.

The Armed Forces sent signals in this direction and the issue was discussed by President Julio Maria Sanguinetti and Lieutenant General Juan Cesar Curutchet, the Army commander in chief.

The office of the command in chief did not deny the story, but said that no formal proposal was submitted on the matter. The commander in chief's office reported, however, that the Armed Forces, and particularly the Army, do not feel ready to honor Fidel Castro. [passage omitted]

Congress Approves Navy's Participation in UNITAS Maneuvers

PY0210222495 Madrid EFE in Spanish 1739 GMT 2 Oct 95

[FBIS Translated Text] Montevideo, 2 Oct (EFE) — Navy sources told EFE today that the Uruguayan Congress has authorized the participation of members of the national navy in the 36th UNITAS Naval Maneuvers, in which they will carry out exercises with units from Argentina, Brazil, Canada, the United States, and Spain, in addition to observers from Peru and South Africa.

The maneuvers, which will take place between 28 October and 2 November, will begin along the Argentine coast, in the vicinity of Tierra del Fuego Province, and then continue along the Uruguayan coast, ultimately to conclude along the coast of Brazil.

Members of the Navy, the diving group of the National Naval Prefecture, and, for the first time, planes of the Uruguayan Air Force will also participate.

Congress approved Uruguay's participation in the UNITAS maneuvers by a majority, although the Broad Front leftist coalition cast a negative vote.

Venezuela

Finance Minister Meets With IMF, IDB Officials

PA0110013895 Caracas Venezolana de Television Network in Spanish 1550 GMT 29 Sep 95

[From the "The News" newscast]

[FBIS Translated Text] Venezuelan Finance Minister Luis Raul Matos Azocar, after meeting with IMF Managing Director Michel Camdessus, said that the IMF will support Venezuela if the country has a program. During a telephone conversation with this station, Matos referred to Camdessus' decision to aid Venezuela.

[Begin Matos recording] The important thing here is that Mr. Camdessus underlined that the programs must originate in the interested countries. In this particular instance, we have presented to him Venezuela's agenda, which was accepted because it is part of the schemes in the IMF's various programs. [end recording]

Referring to his meeting with Camdessus, Matos said: We have found areas of agreement which positively point to the possibility of reaching an agreement based on Venezuela's program.

[Begin Matos recording] Venezuela's program contemplates structural changes in the economy to make enterprises much more competitive, making adjustments to correct eventual imbalances in the economy, and a general overview of the social aspects. This is to say, there is not much sense in applying economic programs with negative social effects and then have to establish compensating programs. The desired approach would be to have the economic policy itself contain its own vision of the social effects. [end recording]

On Friday, Matos will meet with Inter-American Development Bank [IDB] president Enrique Iglesias.

[Begin Matos recording] What we would like — and this is very important — is to have the World Bank

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and IDB, which have agreed on loans for Venezuela for more than $1 billion each, ease the terms so that the resources can flow more easily with some local adjustments. [end recording]

[Caracas Venezolana de Television Network at 0200 GMT on 30 September broadcasts a 2-minute report on Matos Azocar's meeting with the IMF, which quotes Matos as saying that, once an agreement is reached with the IMF, the process of channeling investments to Venezuela will be sped up. According to the station, Matos went on to say that investors can rest assured that they will be able to repatriate their earnings and dividends. After meeting in Washington with U.S. investment promoter John Sullivan and his partner, Larry Marringer, Matos said that a large number of businessmen is expected to invest in hotels, lumber, petrochemical industries, banking, and the oil industry next year. He states: "I would say that these talks with the IMF, which are studying the possibility of striking a formal agreement as soon as possible, began with a very positive climate. Mr. Camdessus has shown an understanding of our position, called the Venezuelan agenda, which states that, to establish realistic goals, we must take into consideration the country's political social situation. For now, we have no plans for a devaluation. We are in a position to maintain our reserves."]

Finance Minister Views Foreign Debt Refinancing

PA0210162995 Caracas EL GLOBO in Spanish 26 Sep 95 p E-4

[FBIS Translated Text] Luis Raul Matos Azocar, who has held the position of finance minister for the past six months, now wears Robocop attire, as he himself has said, but, before going into the matter, he says it already has several holes in it.

During an interview with EL GLOBO, Matos defended himself from criticisms coming from the Congress, specifically from Gustavo Tarre Briceno, president of the Chamber of Deputies' Finance Commission. Matos admits that he certainly "has several irons in the fire."

"We live in a world of scenarios and flexibility because things change rapidly. It would be sad if several opportunities present themselves for Venezuela, and the country is not prepared to take advantage of some of them," he said.

He continued to say it is true that a petition was first filed with the Congress for authorization to issue 254 billion bolivares in bonds and that later a proposal for a Special Law was presented for 400 billion bolivares, both amounts to be issued onto the local market. By this time it was very difficult to determine whether or not the possibility of going into outside markets was legally, politically, or technically feasible. Some political leaders, such as Tarre Briceno, have said that foreign markets are completely closed to Venezuela.

For this reason, Matos said, "I have tried to find alternate mechanisms to participate in foreign markets and explore them, probing for their technical weaknesses." Up to now, these have been exploratory mechanisms. Once the feasibility of each of them is defined, we will present them to the country and the Congress, he added.

Regarding the option of refinancing the foreign debt using oil royalties as collateral, Matos said that the idea is to obtain the mechanisms that prove to be less onerous to the country. He explained that, in the communications sent to the various investment banks, they were advised that everything depends on Congress passing a proposal. Nothing can be formally or legally implemented until the Congress approves the body of laws that endorse an operation of this nature.

We are also at an incipient alternative, for which I have gotten in touch with the Mexican finance secretary. The alternative consists of issuing "vouchers" — if the country accepts it — which can become shares of enterprises whose privatization has already been authorized. This is at an exploration stage. We have to determine whether this is legally workable, whether the market is willing to accept it, which enterprises have been authorized for privatization. However, because the service of the debt compromises the country's future in 1996, 1997, and 1998, I cannot refuse to explore various alternatives, such as we have mentioned, Matos said.

[EL GLOBO] Would this involve increased oil production?

[Matos] This is closely related to market growth, and the respective studies will be presented in due time. Of course, OPEC's [Organization of Petroleum Exporting Countries] quota and Venezuela's quota within OPEC will increase to the extent that the world market tends to grow. I do not know of any one country whose capacity is already fully utilized which, knowing an increase in demand is approaching, does not prepare investments to meet future demand. Maybe Tarre thinks we wield a magic wand, to which we say: "Let production increase," and production increases. The only way I know of is to make investments in advance so we can be prepared when the demand increase occurs.

As for royalties, it is but a fiscal right of the country. Only a very small portion of the royalties would be used, not as payment, but as collateral. Matos believes that opinions are being expressed on something in a preparation stage.

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[EL GLOBO] What share of the oil royalties?

[Matos] The amount has not been established, but it will not be more than 10 percent of income due to royalties. The remainder would enter the treasury as is normal.

If we can refinance our debts and lower the amount of money earmarked in the budget for payment of the debt from 50 percent to 25 percent with this kind of operation, then, we must give it some financial thought.

It is one of the recommendations we are making; we are also conducting studies and making a balance regarding the cost of each one of them.

[EL GLOBO] What proposal will you present to the IMF [International Monetary Fund]?

[Matos] The same proposal which was presented to the nation and has been dubbed the Matos Plan, which says that we will not submit the economy to shock treatment. It will be "gradual acupuncture," reduction of the tax deficit, and an agenda to make the currency exchange controls and prices more flexible.

Matos Azocar does not believe the IMF has made any comments regarding Venezuela's emission of paper, and defines media reports regarding this as "gossip." The IMF is not even aware of the proposal because I have yet to make the proposal.

[EL GLOBO] Is not the declining tendency of the international reserves and the rising tendency of imports a sign that it is time for a devaluation?

[Matos] We have already paid the price of having a currency exchange system, and at this time we are talking about making it more flexible, of a mechanism to safeguard the currency through a evaluation, or analysis, of the history of imports of each company, and restricting access to currency to those companies that are unnecessarily stockpiling inventories.

[EL GLOBO] The mechanisms for safeguarding currency is very similar to Recadi [National Preferential Exchange Office], is it not?

[Matos] No, it is not. There are fundamental differences. Recadi had two exchange rates which fostered corruption. Currently, we are talking about one exchange rate only. We are not talking about a number of openings for each industrial sector. We are talking about saving currency by detecting any tendency to exaggerate imports.

It is a system for monitoring a posteriori, where we investigate if the currency was used for the purpose it was solicited, and if the imports are in keeping with the company's history of imports. This system is being used experimentally in Margarita Island and is working very well.

[EL GLOBO] How will the funds obtained from the IMF be used?

[Matos] The program with the IMF is similar to what Brazil, Argentina, and Mexico have done to solve their financial crisis.

They have negotiated with the World Bank and the Inter-American Development Bank through the IMF financing which allows the country to lessen the effects of the crisis.

Matos Azocar recalled that the financial crisis has cost the country the equivalent of approximately 15 GDP points, and that those funds will allow the effects of the crisis to be distributed over a number of years.

[EL GLOBO] How do you believe the IMF will evaluate the existence of controls?

[Matos] I am fully aware that the IMF is going to demand the dismantling of currency controls, however, the IMF cannot tell us to do so by tomorrow. That is why I said gradually.

In addition, we are going to propose to the IMF that next year Venezuela maintain control of the capital account.

1996, Year of the Economic Takeoff and Foreign Investments

Minister Matos Azocar was questioned regarding the expectations for the end of this year, to which he replied that the worst part was behind us. For the first time in a number of years, this year we are going to have a positive increase in GDP of 1.7 percent.

Despite the predictions about the hyperinflation rate, the inflation rate is going to be approximately 50 percent.

There is improvement in the use of the idle capacity of companies with an increase in energy use. In addition, exports have continued to grow and 1995 exports will surpass 1994 exports. Matos Azocar concluded that Venezuela's share in the Brazilian market is expanding, and that regarding foreign investments, he was sure that 1996 would be the year for the economic takeoff and foreign investments.

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